

98TH CONGRESS  
1ST SESSION

# H. R. 1900

To assure the solvency of the Social Security Trust Funds, to reform the medicare reimbursement of hospitals, to extend the Federal supplemental compensation program, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 3, 1983

Mr. ROSTENKOWSKI (for himself, Mr. PICKLE, and Mr. CONABLE) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To assure the solvency of the Social Security Trust Funds, to reform the medicare reimbursement of hospitals, to extend the Federal supplemental compensation program, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 SHORT TITLE

SECTION 1. This Act, with the following table of con-  
tents, may be cited as the “Social Security Act Amendments  
of 1983”.

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1 **TITLE I—PROVISIONS AFFECTING**  
2 **THE FINANCING OF THE**  
3 **SOCIAL SECURITY SYSTEM**

4 **PART A—COVERAGE**

5 **COVERAGE OF NEWLY HIRED FEDERAL EMPLOYEES**

6 **SEC. 101.** (a)(1) Section 210(a) of the Social Security  
7 Act is amended by striking out paragraphs (5) and (6) and  
8 inserting in lieu thereof the following:

9 “(5) Service performed in the employ of the  
10 United States or any instrumentality of the United  
11 States, if such service—

12 “(A) would be excluded from the term ‘em-  
13 ployment’ for purposes of this title if the provi-  
14 sions of paragraphs (5) and (6) of this subsection  
15 as in effect in January 1983 had remained in  
16 effect, and

17 “(B) is performed by an individual who (i)  
18 has been continuously in the employ of the United  
19 States or an instrumentality thereof since Decem-  
20 ber 31, 1983 (and for this purpose an individual  
21 who returns to the performance of such service  
22 after being separated therefrom following a previ-  
23 ous period of such service shall nevertheless be  
24 considered upon such return as having been con-  
25 tinuously in the employ of the United States or an

1           instrumentality thereof, regardless of whether the  
2           period of such separation began before or after  
3           December 31, 1983, if the period of such separa-  
4           tion does not exceed 365 consecutive days), or (ii)  
5           is receiving an annuity from the Civil Service Re-  
6           tirement and Disability Fund, or benefits (for  
7           service as an employee) under another retirement  
8           system established by a law of the United States  
9           for employees of the Federal Government or  
10          members of the uniformed services;

11         except that this paragraph shall not apply with respect  
12         to—

13                 “(i) service performed as the President or  
14                 Vice President of the United States,

15                 “(ii) service performed—

16                         “(I) in a position placed in the Execu-  
17                         tive Schedule under sections 5312 through  
18                         5317 of title 5, United States Code,

19                         “(II) as a noncareer appointee in the  
20                         Senior Executive Service or a noncareer  
21                         member of the Senior Foreign Service, or

22                         “(III) in a position to which the individ-  
23                         ual is appointed by the President (or his des-  
24                         ignee) or the Vice President under section  
25                         105(a)(1), 106(a)(1), or 107 (a)(1) or (b)(1) of

1 title 3, United States Code, if the maximum  
2 rate of basic pay for such position is at or  
3 above the rate for level V of the Executive  
4 Schedule,

5 “(iii) service performed as the Chief Justice  
6 of the United States, an Associate Justice of the  
7 Supreme Court, a judge of a United States Dis-  
8 trict Court (including the district court of a terri-  
9 tory), a judge of the United States Claims Court,  
10 a judge of the United States Court of Internation-  
11 al Trade, a judge of the United States Tax Court,  
12 a United States magistrate, or a referee in bank-  
13 ruptcy or United States bankruptcy judge,

14 “(iv) service performed as a Member, Dele-  
15 gate, or Resident Commissioner of or to the Con-  
16 gress, or

17 “(v) any other service in the legislative  
18 branch of the Federal Government if such service  
19 is performed by an individual who, on December  
20 31, 1983, is not subject to subchapter III of  
21 chapter 83 of title 5, United States Code;

22 “(6) Service performed in the employ of the  
23 United States or any instrumentality of the United  
24 States if such service is performed—

1           “(A) in a penal institution of the United  
2           States by an inmate thereof;

3           “(B) by any individual as an employee in-  
4           cluded under section 5351(2) of title 5, United  
5           States Code (relating to certain interns, student  
6           nurses, and other student employees of hospitals  
7           of the Federal Government), other than as a  
8           medical or dental intern or a medical or dental  
9           resident in training; or

10          “(C) by any individual as an employee serv-  
11          ing on a temporary basis in case of fire, storm,  
12          earthquake, flood, or other similar emergency;”.

13          (2) Section 210(p) of such Act is amended by striking  
14          out “provisions of—” and all that follows and inserting in  
15          lieu thereof “provisions of subsection (a)(5).”.

16          (b)(1) Section 3121(b) of the Internal Revenue Code of  
17          1954 is amended by striking out paragraphs (5) and (6) and  
18          inserting in lieu thereof the following:

19                 “(5) service performed in the employ of the  
20          United States or any instrumentality of the United  
21          States, if such service—

22                 “(A) would be excluded from the term ‘em-  
23          ployment’ for purposes of this title if the provi-  
24          sions of paragraphs (5) and (6) of this subsection

1 as in effect in January 1983 had remained in  
2 effect, and

3 “(B) is performed by an individual who (i)  
4 has been continuously in the employ of the United  
5 States or an instrumentality thereof since Decem-  
6 ber 31, 1983 (and for this purpose an individual  
7 who returns to the performance of such service  
8 after being separated therefrom following a previ-  
9 ous period of such service shall nevertheless be  
10 considered upon such return as having been con-  
11 tinuously in the employ of the United States or an  
12 instrumentality thereof, regardless of whether the  
13 period of such separation began before or after  
14 December 31, 1983, if the period of such separa-  
15 tion does not exceed 365 consecutive days), or (ii)  
16 is receiving an annuity from the Civil Service Re-  
17 tirement and Disability Fund, or benefits (for  
18 service as an employee) under another retirement  
19 system established by law of the United States for  
20 employees of the Federal Government or mem-  
21 bers of the uniformed services;

22 except that this paragraph shall not apply with respect  
23 to—

24 “(i) service performed as the President or  
25 Vice President of the United States,

1 (ii) service performed—

2 “(I) in a position placed in the Execu-  
3 tive Schedule under Sections 5312 through  
4 5317 of title 5, United States Code.

5 “(II) as a noncareer appointee in the  
6 Senior Executive Service or a noncareer  
7 member of the Senior Foreign Service, or

8 “(III) in a position to which the individ-  
9 ual is appointed by the President (or his des-  
10 ignee) or the Vice President under section  
11 105(a)(1), 106(a)(1), or 107 (a)(1) or (b)(1) of  
12 title 3, United States Code, if the maximum  
13 rate of basic pay for such position is at or  
14 above the rate for level V of the Executive  
15 Schedule,

16 “(iii) service performed as the Chief Justice  
17 of the United States, an Associate Justice of the  
18 Supreme Court, a judge of a United States court  
19 of appeals, a judge of a United States district  
20 court (including the district court of a territory), a  
21 judge of the United States Claims Court, a judge  
22 of the United States Court of International Trade,  
23 a judge of the United States Tax Court, a United  
24 States magistrate, or a referee in bankruptcy or  
25 United States bankruptcy judge,

1           “(iv) service performed as a Member, Dele-  
2           gate, or Resident Commissioner of or to the Con-  
3           gress, or

4           “(v) any other service in the legislative  
5           branch of the Federal Government if such service  
6           is performed by an individual who, on December  
7           31, 1983, is not subject to subchapter III of  
8           chapter 83 of title 5, United States Code;

9           “(6) service performed in the employ of the  
10          United States or any instrumentality of the United  
11          States if such service is performed—

12           “(A) in a penal institution of the United  
13          States by an inmate thereof;

14           “(B) by any individual as an employee in-  
15          cluded under section 5351(2) of title 5, United  
16          States Code (relating to certain interns, student  
17          nurses, and other student employees of hospitals  
18          of the Federal Government), other than as a  
19          medical or dental intern or a medical or dental  
20          resident in training; or

21           “(C) by any individual as an employee serv-  
22          ing on a temporary basis in case of fire, storm,  
23          earthquake, flood, or other similar emergency;”.

24          (2) Section 3121(u)(1) of such Code is amended to read  
25          as follows:

1           “(1) IN GENERAL.—For purposes of the taxes im-  
2       posed by sections 3101(b) and 3111(b), subsection (b)  
3       shall be applied without regard to paragraph (5) there-  
4       of.”.

5       (c)(1) Section 209 of the Social Security Act is amended  
6       by adding at the end thereof the following new paragraph:

7       “For purposes of this title, in the case of an individual  
8       performing service under the provisions of section 294 of title  
9       28, United States Code (relating to assignment of retired jus-  
10      tices and judges to active duty), the term ‘wages’ shall, sub-  
11      ject to the provisions of subsection (a) of this section, include  
12      any payment under section 371(b) of such title 28 which is  
13      received during the period of such service.”.

14      (2) Section 3121(i) of the Internal Revenue Code of  
15      1954 (relating to computation of wages in certain cases) is  
16      amended by adding at the end thereof the following new  
17      paragraph:

18           “(5) SERVICE PERFORMED BY CERTAIN RETIRED  
19      JUSTICES AND JUDGES.—For purposes of this chapter,  
20      in the case of an individual performing service under  
21      the provisions of section 294 of title 28, United States  
22      Code (relating to assignment of retired justices and  
23      judges to active duty), the term ‘wages’ shall, subject  
24      to the provisions of subsection (a)(1) of this section, in-  
25      clude any payment under section 371(b) of such title

1       28 which is received during the period of such serv-  
2       ice.”.

3       (d) The amendments made by this section shall be effec-  
4       tive with respect to remuneration paid after December 31,  
5       1983.

6                   COVERAGE OF EMPLOYEES OF NONPROFIT  
7                   ORGANIZATIONS

8       SEC. 102. (a) Section 210(a)(8) of the Social Security  
9       Act is amended—

10               (1) by striking out “(A)” immediately after “(8)”;

11               (2) by striking out “subparagraph” where it first  
12       appears and inserting in lieu thereof “paragraph”; and

13               (3) by striking out subparagraph (B).

14       (b)(1) Section 3121(b)(8) of the Internal Revenue Code  
15       of 1954 is amended—

16               (A) by striking out “(A)” immediately after “(8)”;

17               (B) by striking out “subparagraph” where it first  
18       appears and inserting in lieu thereof “paragraph”; and

19               (C) by striking out subparagraph (B).

20       (2) Section 3121(k) of such Code is repealed.

21       (3) Section 3121(r) of such Code is amended—

22               (A) by striking out “subsection (b)(8)(A)” and  
23       “section 210(a)(8)(A)” in paragraph (3) and inserting in  
24       lieu thereof “subsection (b)(8)” and “section 210(a)(8)”,  
25       respectively; and

1 (B) by striking out paragraph (4).

2 (c) The amendments made by the preceding provisions  
3 of this section shall be effective with respect to service per-  
4 formed after December 31, 1983 (but the provisions of sec-  
5 tions 2 and 3 of Public Law 94-563 and section 312(c) of  
6 Public Law 95-216 shall continue in effect, to the extent  
7 applicable, as though such amendments had not been made).

8 (d) The period for which a certificate is in effect under  
9 section 3121(k) of the Internal Revenue Code of 1954 may  
10 not be terminated under paragraph (1)(D) or (2) thereof on or  
11 after March 31; but no such certificate shall be effective with  
12 respect to any service to which the amendments made by this  
13 section apply.

14 (e)(1) If any individual—

15 (A) on January 1, 1984, is age 55 or over, and is  
16 an employee of an organization described in section  
17 210(a)(8)(B) of the Social Security Act (A) which does  
18 not have in effect (on that date) a waiver certificate  
19 under section 3121(k) of the Internal Revenue Code of  
20 1954 and (B) to the employees of which social security  
21 coverage is extended on January 1, 1984, solely by  
22 reason of the enactment of this section, and

23 (B) after January 1, 1984, acquires the number of  
24 quarters of coverage (within the meaning of section

1        213 of the Social Security Act) which is required for  
 2        purposes of this subparagraph under paragraph (2),  
 3        then such individual shall be deemed to be a fully insured  
 4        individual (as defined in section 214 of the Social Security  
 5        Act) for all of the purposes of title II of such Act.

6        (2) The number of quarters of coverage which is re-  
 7        quired for purposes of subparagraph (B) of paragraph (1) shall  
 8        be determined as follows:

<b>In the case of an individual who on January 1, 1984, is—</b>	<b>The number of quarters of coverage so required shall be—</b>
age 60 or over .....	6
age 59 or over but less than age 60 .....	8
age 58 or over but less than age 59 .....	12
age 57 or over but less than age 58 .....	16
age 55 or over but less than age 57 .....	20.

9        (f) Effective for cost reporting periods beginning on or  
 10       after October 1, 1982, paragraph (6) of section 1886(b) of the  
 11       Social Security Act is repealed.

12       **DURATION OF AGREEMENTS FOR COVERAGE OF STATE**  
 13       **AND LOCAL EMPLOYEES**

14       **SEC. 103. (a)** Section 218(g) of the Social Security Act  
 15       is amended to read as follows:

16                        “Duration of Agreement

17        “(g) No agreement under this section may be terminat-  
 18       ed, either in its entirety or with respect to any coverage  
 19       group, on or after the date of the enactment of the Social  
 20       Security Act Amendments of 1983.”.

21        (b) The amendment made by subsection (a) shall apply  
 22       to any agreement in effect under section 218 of the Social

1 Security Act on the date of the enactment of this Act, with-  
2 out regard to whether a notice of termination is in effect on  
3 such date, and to any agreement or modification thereof  
4 which may become effective under such section 218 after  
5 that date.

6           PART B—COMPUTATION OF BENEFIT AMOUNTS  
7   SHIFT OF COST-OF-LIVING ADJUSTMENTS TO CALENDAR  
8           YEAR BASIS

9 SEC. 111. (a)(1) Section 215(i)(1)(A) of the Social Secu-  
10 rity Act is amended by striking out “the calendar quarter  
11 ending on March 31 in each year after 1974” and inserting in  
12 lieu thereof “the calendar quarter ending on September 30 in  
13 each year after 1982”.

(2) Section 215(i)(2)(A)(ii) of such Act is amended by striking out “June” and inserting in lieu thereof “December”.

(3) Section 215(i)(2)(A)(iii) of such Act is amended by striking out “May” and inserting in lieu thereof “November”.

19 (4) Section 215(i)(2)(B) of such Act is amended by strik-  
20 ing out “May” each place it appears and inserting in lieu  
21 thereof “November”.

(b)(1) Section 215(i)(4) of such Act is amended by insert-  
ing “, as modified by the application of the amendments  
made by section 111(b)(2) of the Social Security Act Amend-

1 ments of 1983,” after “as in effect in December 1978”  
2 where it first appears.

3 (2) Section 215(i) of such Act as in effect in December  
4 1978, and as applied in certain cases under the provisions of  
5 such Act as in effect after December 1978, is amended—

6 (A) by striking out “March 31 in each year after  
7 1974” in paragraph (1)(A) and inserting in lieu thereof  
8 “September 30 in each year after 1982”;

9 (B) by striking out “June” in paragraph (2)(A)(ii)  
10 and inserting in lieu thereof “December”; and

11 (C) by striking out “May” each place it appears in  
12 paragraph (2)(B) and inserting in lieu thereof “Novem-  
13 ber”.

14 (c)(1) Section 203(f)(8)(A) of such Act is amended by  
15 striking out “June” and inserting in lieu thereof “Decem-  
16 ber”.

17 (2) Section 230(a) of such Act is amended by striking  
18 out “June” and inserting in lieu thereof “December”.

19 (3) Section 202(m) of such Act (as it applies in certain  
20 cases by reason of section 2 of Public Law 97-123) is amend-  
21 ed by striking out “May” and inserting in lieu thereof “No-  
22 vember”.

23 (d) The amendments made by this section shall apply  
24 with respect to cost-of-living increases determined under sec-  
25 tion 215(i) of the Social Security Act for years after 1982;

1 except that the amendments made by subsections (a)(1) and  
2 (b)(2)(A) shall apply only with respect to cost-of-living in-  
3 creases determined under such section 215(i) for years after  
4 1983.

5 (e) Notwithstanding any provision to the contrary in  
6 section 215(i) of the Social Security Act, the "base quarter"  
7 (as defined in paragraph (1)(A)(i) of such section) in the calen-  
8 dar year 1983 shall be a "cost-of-living computation quarter"  
9 within the meaning of paragraph (1)(B) of such section (and  
10 shall be deemed to have been determined by the Secretary of  
11 Health and Human Services to be a "cost-of-living computa-  
12 tion quarter" under paragraph (2)(A) of such section) for all  
13 of the purposes of such Act as amended by this section and  
14 by other provisions of this Act, without regard to the extent  
15 by which the Consumer Price Index has increased since the  
16 last prior cost-of-living computation quarter which was estab-  
17 lished under such paragraph (1)(B).

18 COST-OF-LIVING INCREASES TO BE BASED ON EITHER  
19 WAGES OR PRICES (WHICHEVER IS LOWER) WHEN  
20 BALANCE IN OASDI TRUST FUNDS FALLS BELOW  
21 SPECIFIED LEVEL

22 SEC. 112. (a) Section 215(i)(1) of the Social Security  
23 Act is amended—

24 (1) by striking out "in which" in subparagraph (B)  
25 and all that follows down through the first semicolon in

1       such subparagraph and inserting in lieu thereof “with  
2       respect to which the applicable increase percentage is  
3       3 percent or more;”;

4               (2) by striking out “and” at the end of subpara-  
5       graph (B);

6               (3) by redesignating subparagraph (C) as subpara-  
7       graph (H); and

8               (4) by inserting after subparagraph (B) the follow-  
9       ing new subparagraphs:

10              “(C) the term ‘applicable increase percentage’  
11       means—

12              “(i) with respect to a base quarter or cost-of-  
13       living computation quarter in any calendar year  
14       before 1988, or in any calendar year after 1987  
15       for which the OASDI fund ratio is 20.0 percent  
16       or more, the CPI increase percentage; and

17              “(ii) with respect to a base quarter or cost-  
18       of-living computation quarter in any calendar year  
19       after 1987 for which the OASDI fund ratio is less  
20       than 20.0 percent, the CPI increase percentage  
21       or the wage increase percentage, whichever (with  
22       respect to that quarter) is the lower;

23              “(D) the term ‘CPI increase percentage’, with re-  
24       spect to a base quarter or cost-of-living computation  
25       quarter in any calendar year, means the percentage

1 (rounded to the nearest one-tenth of 1 percent) by  
2 which the Consumer Price Index for that quarter ex-  
3 ceeds such index for the most recent prior calendar  
4 quarter which was a base quarter under subparagraph  
5 (A)(ii) or, if later, the most recent cost-of-living compu-  
6 tation quarter under subparagraph (B);

7 “(E) the term ‘wage increase percentage’, with  
8 respect to a base quarter or cost-of-living computation  
9 quarter in any calendar year, means the percentage  
10 (rounded to the nearest one-tenth of 1 percent) by  
11 which the SSA average wage index for the year imme-  
12 diately preceding such calendar year exceeds such  
13 index for the year immediately preceding the most  
14 recent prior calendar year which included a base quar-  
15 ter under subparagraph (A)(ii) or, if later, which includ-  
16 ed a cost-of-living computation quarter;

17 “(F) the term ‘OASDI fund ratio’, with respect to  
18 any calendar year, means the ratio of—

19 “(i) the combined balance in the Federal Old-  
20 Age and Survivors Insurance Trust Fund and the  
21 Federal Disability Insurance Trust Fund, reduced  
22 by the outstanding amount of any loan (including  
23 interest thereon) theretofore made to either such  
24 Fund from the Federal Hospital Insurance Trust

1 Fund under section 201(l), as of the beginning of  
2 such year, to

3 “(ii) the total amount which (as estimated by  
4 the Secretary) will be paid from the Federal Old-  
5 Age and Survivors Insurance Trust Fund and the  
6 Federal Disability Insurance Trust Fund during  
7 such calendar year for all purposes authorized by  
8 section 201 (other than payments of interest on,  
9 or repayments of, loans from the Federal Hospital  
10 Insurance Trust Fund under section 201(l)), but  
11 excluding any transfer payments between such  
12 trust funds and reducing the amount of any trans-  
13 fers to the Railroad Retirement Account by the  
14 amount of any transfers into either such trust fund  
15 from that Account;

16 “(G) the term ‘SSA average wage index’, with  
17 respect to any calendar year, means the average of the  
18 total wages reported to the Secretary of the Treasury  
19 or his delegate for the preceding calendar year as de-  
20 termined for purposes of subsection (b)(3)(A)(ii); and”.

21 (b) Section 215(i)(2)(A)(ii) of such Act is amended by  
22 striking out “by the same percentage” and all that follows  
23 down through the semicolon, in the sentence immediately fol-  
24 lowing subdivision (III), and inserting in lieu thereof “by the  
25 applicable increase percentage;”.

1 (c) Section 215(i) of such Act is further amended by  
2 adding at the end thereof the following new paragraph:

3 “(5)(A) If—

4 “(i) with respect to any calendar year the ‘appli-  
5 cable ‘increase percentage’ was determined under  
6 clause (ii) of paragraph (1)(C) rather than under clause  
7 (i) of such paragraph, and the increase becoming effec-  
8 tive under paragraph (2) in such year was accordingly  
9 determined on the basis of the wage increase percent-  
10 age rather than the CPI increase percentage (or there  
11 was no such increase becoming effective under para-  
12 graph (2) in that year because the wage increase per-  
13 centage was less than 3 percent), and

14 “(ii) for any subsequent calendar year in which an  
15 increase under paragraph (2) becomes effective the  
16 OASDI fund ratio is greater than 32.0 percent,  
17 then each of the amounts described in subdivisions (I), (II),  
18 and (III) of paragraph (2)(A)(ii), as increased under para-  
19 graph (2) effective with the month of December in such sub-  
20 sequent calendar year, shall be further increased (effective  
21 with such month) by an additional percentage, which shall be  
22 determined under subparagraph (B) and shall apply as pro-  
23 vided in subparagraph (C).

24 “(B) The applicable additional percentage by which the  
25 amounts described in subdivisions (I), (II), and (III) of para-

1 graph (2)(A)(ii) are to be further increased under subpara-  
2 graph (A) in the subsequent calendar year involved shall be  
3 the difference between—

4 “(i) the compounded percentage benefit increases  
5 that would have been paid if all increases under para-  
6 graph (2) had been made on the basis of the CPI in-  
7 crease percentage, and

8 “(ii) the compounded percentage benefit increases  
9 that were actually paid under paragraph (2) and this  
10 paragraph,

11 with such increases being measured—

12 “(iii) in the case of amounts described in subdivi-  
13 sion (I) of paragraph (2)(A)(ii), over the period begin-  
14 ning with the calendar year in which the individual  
15 first became entitled to monthly benefits described in  
16 such subdivision and ending with such subsequent cal-  
17 endar year, and

18 “(iv) in the case of amounts described in subdivi-  
19 sions (II) and (III) of paragraph (2)(A)(ii), over the  
20 period beginning with the calendar year in which the  
21 individual whose primary insurance amount is in-  
22 creased under such subdivision (II) initially became eli-  
23 gible for an old-age or disability insurance benefit, or  
24 died before becoming so eligible, and ending with such  
25 subsequent calendar year;

1 except that if the Secretary determines in any case that the  
2 application (in accordance with subparagraph (C)) of the addi-  
3 tional percentage as computed under the preceding provisions  
4 of this subparagraph would cause the OASDI fund ratio to  
5 fall below 32.0 percent in the calendar year immediately fol-  
6 lowing such subsequent year, he shall reduce such applicable  
7 additional percentage to the extent necessary to ensure that  
8 the OASDI fund ratio will remain at or above 32.0 percent  
9 through the end of such following year.

10 “(C) Any applicable additional percentage increase in an  
11 amount described in subdivision (I), (II), or (III) of paragraph  
12 (2)(A)(ii), made under this paragraph in any calendar year,  
13 shall thereafter be treated for all the purposes of this Act as a  
14 part of the increase made in such amount under paragraph (2)  
15 for that year.”.

16 (d)(1) Section 215(i)(2)(C) of such Act is amended by  
17 adding at the end thereof the following new clause:

18 “(iii) The Secretary shall determine and promulgate the  
19 OASDI fund ratio and the SSA wage index for each calendar  
20 year before November 1 of that year, based upon the most  
21 recent data then available, and shall include a statement of  
22 such fund ratio and wage index (and of the effect such ratio  
23 and the level of such index may have upon benefit increases  
24 under this subsection) in any notification made under clause

1 (ii) and any determination published under subparagraph  
2 (D).”.

3 (2) Section 215(i)(4) of such Act (as amended by section  
4 111(b)(1) of this Act) is further amended by striking out “sec-  
5 tion 111(b)(2)” and inserting in lieu thereof “sections  
6 111(b)(2) and 112”.

7 (e) The amendments made by the preceding provisions  
8 of this section shall apply with respect to monthly benefits  
9 under title II of the Social Security Act for months after  
10 December 1987.

11 (f) Notwithstanding anything to the contrary in section  
12 215(i)(1)(F) of the Social Security Act (as added by subsec-  
13 tion (a)(4) of this section), the combined balance in the Trust  
14 Funds which is to be used in determining the “OASDI fund  
15 ratio” with respect to the calendar year 1988 under such  
16 section shall be the estimated combined balance in such  
17 Funds as of the close of that year (rather than as of its begin-  
18 ning).

19 **ELIMINATION OF WINDFALL BENEFITS FOR INDIVIDUALS**

20 **RECEIVING PENSIONS FROM NONCOVERED EMPLOYMENT**

21 **SEC. 113.** (a) Section 215(a) of the Social Security Act  
22 is amended by adding at the end thereof the following new  
23 paragraph:

1       “(7)(A) In the case of an individual whose primary in-  
2       surance amount would be computed under paragraph (1) of  
3       this subsection, who—

4               “(i) attains age 62 after 1985 (except where he or  
5       she became entitled to a disability insurance benefit  
6       before 1986 and remained so entitled in any of the 12  
7       months immediately preceding his or her attainment of  
8       age 62), or

9               “(ii) would attain age 62 after 1985 and becomes  
10       entitled to a disability insurance benefit after 1985,  
11       and who is entitled to a monthly periodic payment (including  
12       a payment determined under subparagraph (C)) based in  
13       whole or in part upon his or her earnings for service which  
14       did not constitute ‘employment’ as defined in section 210 for  
15       purposes of this title (hereafter in this paragraph and in sub-  
16       section (d)(5) referred to as ‘noncovered service’), the primary  
17       insurance amount of that individual during his or her concur-  
18       rent entitlement to such monthly periodic payment and to  
19       old-age or disability insurance benefits shall be computed or  
20       recomputed under subparagraph (B) with respect to the ini-  
21       tial month in which the individual becomes eligible for such  
22       benefits. Notwithstanding the preceding sentence, in no case  
23       shall the primary insurance amount of an insured individual  
24       be computed or recomputed under this paragraph if the  
25       monthly periodic payment to which such individual is entitled

1 is based in whole or in part on earnings derived from the  
2 performance of service as an employee of the United States,  
3 or of an instrumentality of the United States, before 1971,  
4 and such service constituted 'employment' as defined in sec-  
5 tion 210(a).

6       “(B) If paragraph (1) of this subsection would apply to  
7 such an individual (except for subparagraph (A) of this para-  
8 graph), there shall first be computed an amount equal to the  
9 individual's primary insurance amount under the preceding  
10 paragraphs of this subsection, except that for purposes of  
11 such computation the percentage of the individual's average  
12 indexed monthly earnings established by subparagraph (A)(i)  
13 of paragraph (1) shall be 61 percent. There shall then be  
14 computed (without regard to this paragraph) a second  
15 amount, which shall be equal to the individual's primary in-  
16 surance amount under the preceding paragraphs of this sub-  
17 section, except that such second amount shall be reduced by  
18 an amount equal to one-half of the portion of the monthly  
19 periodic payment which is attributable to noncovered service  
20 (with such attribution being based on the proportionate  
21 number of years of noncovered service) and to which the indi-  
22 vidual is entitled (or is deemed to be entitled) for the initial  
23 month of his or her eligibility for old-age or disability insur-  
24 ance benefits. The individual's primary insurance amount  
25 shall be the larger of the two amounts computed under this

1 subparagraph (before the application of subsection (i)) and  
2 shall be deemed to be computed under paragraph (1) of this  
3 subsection for the purpose of applying other provisions of this  
4 title.

5 “(C)(i) Any periodic payment which otherwise meets the  
6 requirements of subparagraph (A), but which is paid on other  
7 than a monthly basis, shall be allocated on a basis equivalent  
8 to a monthly payment (as determined by the Secretary), and  
9 such equivalent monthly payment shall constitute a monthly  
10 periodic payment for purposes of this paragraph.

11 “(ii) In the case of an individual who has elected to  
12 receive a periodic payment that has been reduced so as to  
13 provide a survivors benefit to any other individual, the pay-  
14 ment shall be deemed to be increased (for purposes of any  
15 computation under this paragraph or subsection (d)(5)) by the  
16 amount of such reduction.

17 “(iii) If an individual to whom subparagraph (A) applies  
18 is eligible for a periodic payment beginning with a month that  
19 is subsequent to the month in which he or she becomes eligi-  
20 ble for old-age or disability insurance benefits, the amount of  
21 that payment (for purposes of subparagraph (B)) shall be  
22 deemed to be the amount to which he or she is, or is deemed  
23 to be, entitled (subject to clauses (i), (ii), and (iv) of this sub-  
24 paragraph) in such subsequent month.

1       “(iv) For purposes of this paragraph, the term ‘periodic  
2 payment’ includes a payment payable in a lump sum if it is a  
3 commutation of, or a substitute for, periodic payments.”.

4       (b) Section 215(d) of such Act is amended by adding at  
5 the end thereof the following new paragraph:

6       “(5) In the case of an individual whose primary insur-  
7 ance amount is not computed under paragraph (1) of subsec-  
8 tion (a) by reason of paragraph (4)(B)(ii) of that subsection,  
9 who—

10           “(A) attains age 62 after 1985 (except where he  
11 or she became entitled to a disability insurance benefit  
12 before 1986, and remained so entitled in any of the 12  
13 months immediately preceding his or her attainment of  
14 age 62), or

15           “(B) would attain age 62 after 1985 and becomes  
16 entitled to a disability insurance benefit after 1985,  
17 and who is entitled to a monthly periodic payment (including  
18 a payment determined under subsection (a)(7)(C)) based (in  
19 whole or in part) upon his or her earnings in noncovered  
20 service, the primary insurance amount of such individual  
21 during his or her concurrent entitlement to such monthly pe-  
22 riodic payment and to old-age or disability insurance benefits  
23 shall be the primary insurance amount computed or recom-  
24 puted under this subsection (without regard to this paragraph

1 and before the application of subsection (i)) reduced by an  
2 amount equal to the smaller of—

3 “(i) one-half of the primary insurance amount  
4 (computed without regard to this paragraph and before  
5 the application of subsection (i)), or

6 “(ii) one-half of the portion of the monthly period-  
7 ic payment (or payment determined under subsection  
8 (a)(7)(C)) which is attributable to noncovered service  
9 (with such attribution being based on the proportionate  
10 number of years of noncovered service) and to which  
11 that individual is entitled (or is deemed to be entitled)  
12 for the initial month of his or her eligibility for old-age  
13 or disability insurance benefits.

14 Notwithstanding the preceding sentence, in no case shall the  
15 primary insurance amount of an insured individual be com-  
16 puted or recomputed under this paragraph if the monthly pe-  
17 riodic payment to which such individual is entitled is based in  
18 whole or in part on earnings derived from the performance of  
19 service as an employee of the United States, or of an instru-  
20 mentality of the United States, before 1971, and such service  
21 constituted ‘employment’ as defined in section 210(a).’.

22 (c) Section 215(f) of such Act is amended by adding at  
23 the end thereof the following new paragraph:

24 “(9)(A) In the case of an individual who becomes enti-  
25 tled to a periodic payment determined under subsection

1 (a)(7)(A) (including a payment determined under subsection  
2 (a)(7)(C)) in a month subsequent to the first month in which  
3 he or she becomes entitled to an old-age or disability insur-  
4 ance benefit, and whose primary insurance amount has been  
5 computed without regard to either such subsection or subsec-  
6 tion (d)(5), such individual's primary insurance amount shall  
7 be recomputed, in accordance with either such subsection or  
8 subsection (d)(5), as may be applicable, effective with the first  
9 month of his or her concurrent entitlement to such benefit  
10 and such periodic payment.

11 “(B) If an individual's primary insurance amount has  
12 been computed under subsection (a)(7) or (d)(5), and it be-  
13 comes necessary to recompute that primary insurance  
14 amount under this subsection—

15 “(i) so as to increase the monthly benefit amount  
16 payable with respect to such primary insurance amount  
17 (except in the case of the individual's death), such in-  
18 crease shall be determined as though such primary in-  
19 surance amount had initially been computed without  
20 regard to subsection (a)(7) or (d)(5), or

21 “(ii) by reason of the individual's death, such pri-  
22 mary insurance amount shall be recomputed without  
23 regard to (and as though it had never been computed  
24 with regard to) subsection (a)(7) or (d)(5).”.

1 (d) Sections 202(e)(2) and 202(f)(3) of such Act are each  
2 amended by striking out “section 215(f)(5) or (6)” wherever  
3 it appears and inserting in lieu thereof “section 215(f)(5),  
4 215(f)(6), or 215(f)(9)(B)”.

5 INCREASE IN OLD-AGE INSURANCE BENEFIT AMOUNTS ON  
6 ACCOUNT OF DELAYED RETIREMENT

7 SEC. 114. (a) Section 202(w)(1)(A) of the Social Secu-  
8 rity Act is amended to read as follows:

9 “(A) the applicable percentage (as determined  
10 under paragraph (6)) of such amount, multiplied by”.

11 (b) Section 202(w) of such Act is further amended by  
12 adding at the end thereof the following new paragraph:

13 “(6) For purposes of paragraph (1)(A), the ‘applicable  
14 percentage’ is—

15 “(A)  $\frac{1}{12}$  of 1 percent in the case of an individual  
16 who first becomes eligible for an old-age insurance  
17 benefit in any calendar year before 1979;

18 “(B)  $\frac{1}{4}$  of 1 percent in the case of an individual  
19 who first becomes eligible for an old-age insurance  
20 benefit in any calendar year after 1978 and before  
21 1987;

22 “(C) in the case of an individual who first be-  
23 comes eligible for an old-age insurance benefit in a cal-  
24 endar year after 1986 and before 2005, a percentage  
25 equal to the applicable percentage in effect under this

1 paragraph for persons who first became eligible for an  
2 old-age insurance benefit in the preceding calendar  
3 year (as increased pursuant to this subparagraph), plus  
4  $\frac{1}{24}$  of 1 percent if the calendar year in which that  
5 particular individual first becomes eligible for such  
6 benefit is not evenly divisible by 2; and

7 “(D)  $\frac{2}{3}$  of 1 percent in the case of an individual  
8 who first becomes eligible for an old-age insurance  
9 benefit in a calendar year after 2004.”.

10 **PART C—REVENUE PROVISIONS**

11 **SEC. 121. TAXATION OF SOCIAL SECURITY TIER 1 AND RAIL-**  
12 **ROAD RETIREMENT BENEFITS.**

13 (a) **GENERAL RULE.**—Part II of subchapter B of chap-  
14 ter 1 of the Internal Revenue Code of 1954 (relating to  
15 amounts specifically included in gross income) is amended by  
16 redesignating section 86 as section 87 and by inserting after  
17 section 85 the following new section:

18 **“SEC. 86. SOCIAL SECURITY AND TIER 1 RAILROAD RETIRE-**  
19 **MENT BENEFITS.**

20 “(a) **IN GENERAL.**—Gross income for the taxable year  
21 of any taxpayer described in subsection (b) includes social  
22 security benefits in an amount equal to the lesser of—

23 “(1) one-half of the social security benefits re-  
24 ceived during the taxable year, or

1           “(2) one-half of the excess described in subsection  
2       (b).

3       “(b) TAXPAYERS TO WHOM SUBSECTION (a) AP-  
4 PLIES.—A taxpayer is described in this subsection if—

5           “(1) the sum of—

6               “(A) the adjusted gross income of the tax-  
7 payer for the taxable year (determined without  
8 regard to this section and sections 221, 911, and  
9 931), plus

10               “(B) one-half of the social security benefits  
11 received during the taxable year, exceeds

12           “(2) the base amount.

13       “(c) BASE AMOUNT.—For purposes of this section, the  
14 term ‘base amount’ means—

15           “(1) except as otherwise provided in this subsec-  
16 tion, \$25,000,

17           “(2) \$32,000, in the case of a joint return, and

18           “(3) zero, in the case of a taxpayer who—

19               “(A) is married at the close of the taxable  
20 year (within the meaning of section 143) but does  
21 not file a joint return for such year, and

22               “(B) does not live apart from his spouse at  
23 all times during the taxable year.

24       “(d) SOCIAL SECURITY BENEFIT.—

1           “(1) IN GENERAL.—For purposes of this section,  
2           the term ‘social security benefit’ means any amount re-  
3           ceived by the taxpayer by reason of entitlement to—

4                   “(A) a monthly benefit under title II of the  
5           Social Security Act, or

6                   “(B) a tier 1 railroad retirement benefit.

7           “(2) ADJUSTMENT FOR REPAYMENTS DURING  
8           YEAR.—

9                   “(A) IN GENERAL.—For purposes of this  
10           section, the amount of social security benefits re-  
11           ceived during any taxable year shall be reduced  
12           by any repayment made by the taxpayer during  
13           the taxable year of a social security benefit previ-  
14           ously received by the taxpayer (whether or not  
15           such benefit was received during the taxable  
16           year).

17                   “(B) DENIAL OF DEDUCTION.—If (but for  
18           this subparagraph) any portion of the repayments  
19           referred to in subparagraph (A) would have been  
20           allowable as a deduction for the taxable year  
21           under section 165, such portion shall be allowable  
22           as a deduction only to the extent it exceeds the  
23           social security benefits received by the taxpayer  
24           during the taxable year (and not repaid during  
25           such taxable year).

1           “(3) WORKMEN’S COMPENSATION BENEFITS  
2       SUBSTITUTED FOR SOCIAL SECURITY BENEFITS.—For  
3       purposes of this section, if, by reason of section 224 of  
4       the Social Security Act (or by reason of section 3(a)(1)  
5       of the Railroad Retirement Act of 1974), any social se-  
6       curity benefit is reduced by reason of the receipt of a  
7       benefit under a workmen’s compensation act, the term  
8       ‘social security benefit’ includes that portion of such  
9       benefit received under the workmen’s compensation act  
10      which equals such reduction.

11           “(4) TIER 1 RAILROAD RETIREMENT BENEFIT.—  
12      For purposes of paragraph (1), the term ‘tier 1 railroad  
13      retirement benefit’ means a monthly benefit under sec-  
14      tion 3(a), 4(a), 4(f) of the Railroad Retirement Act of  
15      1974.

16           “(e) LIMITATION ON AMOUNT INCLUDED WHERE  
17      TAXPAYER RECEIVES LUMP-SUM PAYMENT.—

18           “(1) LIMITATION.—If—

19                   “(A) any portion of a lump-sum payment of  
20                   social security benefits received during the taxable  
21                   year is attributable to prior taxable years, and

22                   “(B) the taxpayer makes an election under  
23                   this subsection for the taxable year,

24      then the amount included in gross income under this section  
25      for the taxable year by reason of the receipt of such portion

1 shall not exceed the sum of the increases in gross income  
2 under this chapter for prior taxable years which would result  
3 solely from taking into account such portion in the taxable  
4 years to which it is attributable.

5 “(2) SPECIAL RULES.—

6 “(A) YEAR TO WHICH BENEFIT ATTRIBUT-  
7 ABLE.—For purposes of this subsection, a social  
8 security benefit is attributable to a taxable year if  
9 the generally applicable payment date for such  
10 benefit occurred during such taxable year.

11 “(B) ELECTION.—An election under this  
12 subsection shall be made at such time and in such  
13 manner as the Secretary shall by regulations pre-  
14 scribe. Such election, once made, may be revoked  
15 only with the consent of the Secretary.

16 “(f) TREATMENT AS PENSION OR ANNUITY FOR CER-  
17 TAIN PURPOSES.—For purposes of—

18 “(1) section 43(c)(2) (defining earned income),

19 “(2) section 219(f)(1) (defining compensation),

20 “(3) section 221(b)(2) (defining earned income),

21 and

22 “(4) section 911(b)(1) (defining foreign earned  
23 income),

24 any social security benefit shall be treated as an amount re-  
25 ceived as a pension or annuity.”

1       (b) **INFORMATION REPORTING.**—Subpart B of part III  
2 of subchapter A of chapter 61 of such Code (relating to infor-  
3 mation concerning transactions with other persons) is amend-  
4 ed by adding at the end thereof the following new section:  
5 **“SEC. 6050F. RETURNS RELATING TO SOCIAL SECURITY BENE-**  
6 **FITS.**

7       “(a) **REQUIREMENT OF REPORTING.**—The appropriate  
8 Federal official shall make a return, according to the forms  
9 and regulations prescribed by the Secretary, setting forth—  
10       “(1) the—

11               “(A) aggregate amount of social security  
12 benefits paid with respect to any individual during  
13 any calendar year,

14               “(B) aggregate amount of social security  
15 benefits repaid by such individual during such cal-  
16 endar year, and

17               “(C) aggregate reductions under section 224  
18 of the Social Security Act (or under section  
19 3(a)(1) of the Railroad Retirement Act of 1974) in  
20 benefits which would otherwise have been paid to  
21 such individual during the calendar year on ac-  
22 count of amounts received under a workmen’s  
23 compensation act, and

24       “(2) the name and address of such individual.

1       “(b) STATEMENTS TO BE FURNISHED TO INDIVID-  
2 UALS WITH RESPECT TO WHOM INFORMATION IS FUR-  
3 NISHED.—Every person making a return under subsection  
4 (a) shall furnish to each individual whose name is set forth in  
5 such return a written statement showing—

6           “(1) the name of the agency making the pay-  
7 ments, and

8           “(2) the aggregate amount of payments, of repay-  
9 ments, and of reductions, with respect to the individual  
10 as shown on such return.

11 The written statement required under the preceding sentence  
12 shall be furnished to the individual on or before January 31  
13 of the year following the calendar year for which the return  
14 under subsection (a) was made.

15       “(c) DEFINITIONS.—For purposes of this section—

16           “(1) APPROPRIATE FEDERAL OFFICIAL.—The  
17 term ‘appropriate Federal official’ means—

18           “(A) the Secretary of Health and Human  
19 Services in the case of social security benefits de-  
20 scribed in section 86(d)(1)(A), and

21           “(B) the Railroad Retirement Board in the  
22 case of social security benefits described in section  
23 86(d)(1)(B).

1           “(2) SOCIAL SECURITY BENEFIT.—The term  
2           ‘social security benefit’ has the meaning given to such  
3           term by section 86(d)(1).”

4           (c) TREATMENT OF NONRESIDENT ALIENS.—

5           (1) AMENDMENT OF SECTION 871(a).—Subsection  
6           (a) of section 871 of such Code (relating to tax on  
7           income not connected with United States business) is  
8           amended by adding at the end thereof the following  
9           new paragraph:

10           “(3) TAXATION OF SOCIAL SECURITY BENE-  
11           FITS.—For purposes of this section and section  
12           1441—

13           “(A) one-half of any social security benefit  
14           (as defined in section 86(d)) shall be included in  
15           gross income, and

16           “(B) section 86 shall not apply.”

17           (2) AMENDMENT OF SECTION 1441.—Section  
18           1441 of such Code (relating to withholding of tax on  
19           nonresident aliens) is amended by adding at the end  
20           thereof the following new subsection:

21           “(g) CROSS REFERENCE.—

**“For provision treating one-half of social security  
                  benefits as subject to withholding under this section, see  
                  section 871(a)(3).”**

22           (3) DISCLOSURE OF INFORMATION TO SOCIAL  
23           SECURITY ADMINISTRATION OR RAILROAD RETIRE-  
24           MENT BOARD.—

1           (A) **IN GENERAL.**—Subsection (h) of section  
2           6103 of such Code (relating to disclosure to cer-  
3           tain Federal officers and employees for purposes  
4           of tax administration, etc.) is amended by adding  
5           at the end thereof the following new paragraph:  
6           “(6) **WITHHOLDING OF TAX FROM SOCIAL SECU-**  
7           **RITY BENEFITS.**—Upon written request, the Secretary  
8           may disclose available return information from the  
9           master files of the Internal Revenue Service with re-  
10          spect to the address and status of an individual as a  
11          nonresident alien or as a citizen or resident of the  
12          United States to the Social Security Administration or  
13          the Railroad Retirement Board for purposes of carrying  
14          out its responsibilities for withholding tax under section  
15          1441 from social security benefits (as defined in section  
16          86(d)).”

17           (B) **CONFORMING AMENDMENT.**—Paragraph  
18          (4) of section 6103(p) of such Code (relating to  
19          safeguards) is amended by inserting “(h)(6),” after  
20          “(h)(2),” in the material preceding subparagraph  
21          (A) and in subparagraph (F)(ii), thereof.

22          (d) **SOCIAL SECURITY BENEFITS TREATED AS UNITED**  
23          **STATES SOURCED.**—Subsection (a) of section 861 of such  
24          Code (relating to income from sources within the United

1 States) is amended by adding at the end thereof the following  
2 new paragraph:

3           “(8) SOCIAL SECURITY BENEFITS.—Any social  
4 security benefit (as defined in section 86(d)).”

5 (e) TRANSFERS TO TRUST FUNDS.—

6           (1) IN GENERAL.—There are hereby appropriated  
7 to each payor fund amounts equivalent to the aggregate  
8 increase in tax liabilities under chapter 1 of the  
9 Internal Revenue Code of 1954 which is attributable  
10 to the application of sections 86 and 871(a)(3) of such  
11 Code (as added by this section) to payments from such  
12 payor fund.

13           (2) TRANSFERS.—The amounts appropriated by  
14 paragraph (1) to any payor fund shall be transferred  
15 from time to time (but not less frequently than quarter-  
16 ly) from the general fund of the Treasury on the basis  
17 of estimates made by the Secretary of the Treasury of  
18 the amounts referred to in such paragraph. Any such  
19 quarterly payment shall be made on the first day of  
20 such quarter and shall take into account social security  
21 benefits estimated to be received during such quarter.  
22 Proper adjustments shall be made in the amounts sub-  
23 sequently transferred to the extent prior estimates  
24 were in excess of or less than the amounts required to  
25 be transferred.

1           (3) DEFINITIONS.—For purposes of this subsec-  
2       tion—

3           (A) PAYOR FUND.—The term “payor fund”  
4       means any trust fund or account from which pay-  
5       ments of social security benefits are made.

6           (B) SOCIAL SECURITY BENEFITS.—The  
7       term “social security benefits” has the meaning  
8       given such term by section 86(d)(1) of the Internal  
9       Revenue Code of 1954.

10          (4) REPORTS.—The Secretary of the Treasury  
11       shall submit annual reports to the Congress and to the  
12       Secretary of Health and Human Services and the Rail-  
13       road Retirement Board on—

14               (A) the transfers made under this subsection  
15       during the year, and the methodology used in de-  
16       termining the amount of such transfers and the  
17       funds or account to which made, and

18               (B) the anticipated operation of this subsec-  
19       tion during the next 5 years.

20       (f) TECHNICAL AMENDMENTS.—

21           (1) Subsection (a) of section 85 of such Code is  
22       amended by striking out “this section,” and inserting  
23       in lieu thereof “this section, section 86,”.

24           (2) Subparagraph (B) of section 128(c)(3) of such  
25       Code (as in effect for taxable years beginning after De-

1        cember 31, 1984) is amended by striking out “85” and  
 2        inserting in lieu thereof “85, 86”.

3            (3) The table of sections for part II of subchapter  
 4        B of chapter 1 of such Code is amended by striking out  
 5        the item relating to section 86 and inserting in lieu  
 6        thereof the following:

              “Sec. 86. Social security and tier 1 railroad retirement benefits.  
               “Sec. 87. Alcohol fuel credit.”

7            (4) The table of sections for subpart B of part III  
 8        of subchapter A of chapter 61 of such Code is amended  
 9        by adding at the end thereof the following new item:

              “Sec. 6050F. Returns relating to social security benefits.”

10        (g) EFFECTIVE DATES.—

11            (1) IN GENERAL.—Except as provided in para-  
 12        graph (2), the amendments made by this section shall  
 13        apply to benefits received after December 31, 1983, in  
 14        taxable years ending after such date.

15            (2) TREATMENT OF CERTAIN LUMP-SUM PAY-  
 16        MENTS RECEIVED AFTER DECEMBER 31, 1983.—The  
 17        amendments made by this section shall not apply to  
 18        any portion of a lump-sum payment of social security  
 19        benefits (as defined in section 86(d) of the Internal  
 20        Revenue Code of 1954) received after December 31,  
 21        1983, if the generally applicable payment date for such  
 22        portion was before January 1, 1984.

1   **SEC. 122. CREDIT FOR THE ELDERLY AND THE PERMANENTLY**  
2                   **AND TOTALLY DISABLED.**

3           (a) **GENERAL RULE.**—Section 37 of the Internal Reve-  
4 nue Code of 1954 (relating to credit for the elderly) is amend-  
5 ed to read as follows:

6   **“SEC. 37. CREDIT FOR THE ELDERLY AND THE PERMANENTLY**  
7                   **AND TOTALLY DISABLED.**

8           “(a) **GENERAL RULE.**—In the case of a qualified indi-  
9 vidual, there shall be allowed as a credit against the tax im-  
10 posed by this chapter for the taxable year an amount equal to  
11 15 percent of such individual’s section 37 amount for such  
12 taxable year.

13          “(b) **QUALIFIED INDIVIDUAL.**—For purposes of this  
14 section, the term ‘qualified individual’ means any individu-  
15 al—

16               “(1) who has attained age 65 before the close of  
17 the taxable year, or

18               “(2) who retired on disability before the close of  
19 the taxable year and who, when he retired, was per-  
20 manently and totally disabled.

21          “(c) **SECTION 37 AMOUNT.**—For purposes of subsection  
22 (a)—

23               “(1) **IN GENERAL.**—An individual’s section 37  
24 amount for the taxable year shall be the applicable ini-  
25 tial amount determined under paragraph (2), reduced  
26 as provided in paragraph (3) and in subsection (d).

1           “(2) INITIAL AMOUNT—

2                   “(A) IN GENERAL.—Except as provided in  
3           subparagraph (B), the initial amount shall be—

4                           “(i) \$5,000 in the case of a single indi-  
5                           vidual, or a joint return where only one  
6                           spouse is a qualified individual,

7                           “(ii) \$7,500 in the case of a joint return  
8                           where both spouses are qualified individuals,  
9                           or

10                           “(iii) \$3,750 in the case of a married in-  
11                           dividual filing a separate return.

12                   “(B) LIMITATION IN CASE OF INDIVIDUALS  
13           WHO HAVE NOT ATTAINED AGE 65.—

14                           “(i) IN GENERAL.—In the case of a  
15                           qualified individual who has not attained age  
16                           65 before the close of the taxable year,  
17                           except as provided in clause (ii), the initial  
18                           amount shall not exceed the disability income  
19                           for the taxable year.

20                           “(ii) SPECIAL RULES IN CASE OF  
21                           JOINT RETURN.—In the case of a joint  
22                           return where both spouses are qualified indi-  
23                           viduals and at least one spouse has not at-  
24                           tained age 65 before the close of the taxable  
25                           year—

1           “(I) if both spouses have not at-  
2           tained age 65 before the close of the  
3           taxable year, the initial amount shall  
4           not exceed the sum of such spouses’  
5           disability income, or

6           “(II) if one spouse has attained  
7           age 65 before the close of the taxable  
8           year, the initial amount shall not exceed  
9           the sum of \$5,000 plus the disability  
10          income for the taxable year of the  
11          spouse who has not attained age 65  
12          before the close of the taxable year.

13          “(iii) DISABILITY INCOME.—For pur-  
14          poses of this subparagraph, the term ‘disabil-  
15          ity income’ means the aggregate amount in-  
16          cludable in the gross income of the individual  
17          for the taxable year under section 72 or  
18          105(a) to the extent such amount constitutes  
19          wages (or payments in lieu of wages) for the  
20          period during which the individual is absent  
21          from work on account of permanent and total  
22          disability.

23          “(3) REDUCTION.—

24                 “(A) IN GENERAL.—The reduction under  
25          this paragraph is an amount equal to the sum of

1           the amounts received by the individual (or, in the  
2           case of a joint return, by either spouse) as a pen-  
3           sion or annuity or as a disability benefit—

4                   “(i) under title II of the Social Security  
5           Act,

6                   “(ii) under the Railroad Retirement Act  
7           of 1974, or

8                   “(iii) otherwise excluded from gross  
9           income.

10                   “(B) NO REDUCTION FOR CERTAIN EXCLU-  
11           SIONS.—No reduction shall be made under clause  
12           (iii) of subparagraph (A) for any amount excluded  
13           from gross income under section 72 (relating to  
14           annuities), 101 (relating to life insurance pro-  
15           ceeds), 104 (relating to compensation for injuries  
16           or sickness), 105 (relating to amounts received  
17           under accident and health plans), 120 (relating to  
18           amounts received under qualified group legal serv-  
19           ices plans), 402 (relating to taxability of benefi-  
20           ciary of employees’ trust), 403 (relating to taxation  
21           of employee annuities), or 405 (relating to quali-  
22           fied bond purchase plans).

23                   “(C) TREATMENT OF CERTAIN WORKMEN’S  
24           COMPENSATION BENEFITS.—For purposes of sub-  
25           paragraph (A), any amount treated as a social se-

1           curity benefit under section 86(d)(3) shall be treat-  
2           ed as a disability benefit received under title II of  
3           the Social Security Act.

4           “(d) LIMITATIONS.—

5           “(1) ADJUSTED GROSS INCOME LIMITATION.—If  
6           the adjusted gross income of the taxpayer exceeds—

7           “(A) \$7,500 in the case of a single individu-  
8           al,

9           “(B) \$10,000 in the case of a joint return, or

10           “(C) \$5,000 in the case of a married individ-  
11           ual filing a separate return,

12           the section 37 amount shall be reduced by one-half of  
13           the excess of the adjusted gross income over \$7,500,  
14           \$10,000, or \$5,000, as the case may be.

15           “(2) LIMITATION BASED ON AMOUNT OF TAX.—

16           The amount of the credit allowed by this section for  
17           the taxable year shall not exceed the amount of the tax  
18           imposed by this chapter for such taxable year.

19           “(e) DEFINITIONS AND SPECIAL RULES.—For pur-  
20           poses of this section—

21           “(1) MARRIED COUPLE MUST FILE JOINT  
22           RETURN.—Except in the case of a husband and wife  
23           who live apart at all times during the taxable year, if  
24           the taxpayer is married at the close of the taxable  
25           year, the credit provided by this section shall be al-

1       lowed only if the taxpayer and his spouse file a joint  
2       return for the taxable year.

3           “(2) **MARITAL STATUS.**—Marital status shall be  
4       determined under section 143.

5           “(3) **PERMANENT AND TOTAL DISABILITY DE-**  
6       **FINED.**—An individual is permanently and totally dis-  
7       abled if he is unable to engage in any substantial gain-  
8       ful activity by reason of any medically determinable  
9       physical or mental impairment which can be expected  
10      to result in death or which has lasted or can be expect-  
11      ed to last for a continuous period of not less than 12  
12      months. An individual shall not be considered to be  
13      permanently and totally disabled unless he furnishes  
14      proof of the existence thereof in such form and manner,  
15      and at such times, as the Secretary may require.

16          “(f) **NONRESIDENT ALIEN INELIGIBLE FOR CREDIT.**—  
17      No credit shall be allowed under this section to any nonresi-  
18      dent alien.”

19          (b) **REPEAL OF EXCLUSION FOR CERTAIN DISABILITY**  
20      **PAYMENTS.**—Subsection (d) of section 105 of such Code (re-  
21      lating to certain disability payments) is hereby repealed.

22          (c) **CONFORMING AMENDMENTS.**—

23              (1) Sections 41(b)(2), 44A(b)(2), 46(a)(4)(B),  
24      53(a)(2), and 904(g) of such Code are each amended by  
25      striking out “relating to credit for the elderly” and in-

1       serting in lieu thereof “relating to credit for the elderly  
2       and the permanently and totally disabled”.

3           (2) Subsection (a) of section 85 of such Code is  
4       amended by striking out “, section 105(d),”.

5           (3) Subparagraph (B) of section 128(c)(3) of such  
6       Code (as in effect for taxable years beginning after De-  
7       cember 31, 1984) is amended by striking out  
8       “105(d),”.

9           (4) Paragraph (3) of section 403(b) of such Code  
10      is amended by striking out “sections 105(d) and 911”  
11      and inserting in lieu thereof “section 911”.

12          (5) Clause (i) of section 415(c)(3)(C) of such Code  
13      is amended by striking out “section 105(d)(4)” and in-  
14      serting in lieu thereof “section 37(e)(3)”.

15          (6) Paragraph (6) of section 7871(a) of such Code  
16      is amended by striking out subparagraph (A), and by  
17      redesignating subparagraphs (B), (C), and (D) as sub-  
18      paragraphs (A), (B), and (C), respectively.

19          (7) The table of sections for subpart A of part IV  
20      of subchapter A of chapter 1 of such Code is amended  
21      by striking out the item relating to section 37 and in-  
22      serting in lieu thereof the following:

23      **“SEC. 37. CREDIT FOR THE ELDERLY AND THE PERMANENTLY**  
24              **AND TOTALLY DISABLED.”**

25      **(d) EFFECTIVE DATE.—**

1 (1) IN GENERAL.—The amendments made by this  
 2 section shall apply to taxable years beginning after De-  
 3 cember 31, 1983.

4 (2) TRANSITIONAL RULE.—If an individual's an-  
 5 nuity starting date was deferred under section 105(d)(6)  
 6 of the Internal Revenue Code of 1954 (as in effect on  
 7 the day before the date of the enactment of this sec-  
 8 tion), such deferral shall end on the first day of such  
 9 individual's first taxable year beginning after December  
 10 31, 1983.

11 SEC. 123. ACCELERATION OF INCREASES IN FICA TAXES; 1984

12 EMPLOYEE TAX CREDIT.

13 (a) ACCELERATION OF INCREASES IN FICA TAXES.—

14 (1) TAX ON EMPLOYEES.—Subsection (a) of sec-  
 15 tion 3101 of the Internal Revenue Code of 1954 (relat-  
 16 ing to rate of tax on employees for old-age, survivors,  
 17 and disability insurance) is amended by striking out  
 18 paragraphs (1) through (7) and inserting in lieu thereof  
 19 the following:

<b>“In cases of wages received during:</b>	<b>The rate shall be:</b>
1984, 1985, 1986, or 1987 .....	5.7 percent
1988 or 1989 .....	6.06 percent
1990 or thereafter .....	6.2 percent.”

20 (2) EMPLOYER TAX.—Subsection (a) of section  
 21 3111 of such Code is amended by striking out para-  
 22 graphs (1) through (7) and inserting in lieu thereof the  
 23 following:

<b>"In cases of wages paid during:</b>	<b>The rate shall be:</b>
1984, 1985, 1986, or 1987 .....	5.7 percent
1988 or 1989 .....	6.06 percent
1990 or thereafter .....	6.2 percent."

1           (3) **EFFECTIVE DATE.**—The amendments made  
2       by this subsection shall apply to remuneration paid  
3       after December 31, 1983.

4       (b) **1984 EMPLOYEE TAX CREDIT.**—

5           (1) **IN GENERAL.**—Chapter 25 of such Code is  
6       amended by adding at the end thereof the following  
7       new section:

8       **"SEC. 3510. CREDIT FOR INCREASED SOCIAL SECURITY EM-**  
9                       **PLOYEE TAXES AND RAILROAD RETIREMENT**  
10                      **TIER 1 EMPLOYEE TAXES IMPOSED DURING**  
11                      **1984.**

12       **"(a) GENERAL RULE.**—There shall be allowed as a  
13       credit against the tax imposed by section 3101(a) on wages  
14       received during 1984 an amount equal to  $\frac{3}{10}$  of 1 percent of  
15       the wages so received.

16       **"(b) TIME CREDIT ALLOWED.**—The credit under sub-  
17       section (a) shall be taken into account in determining the  
18       amount of the tax deducted under section 3102(a).

19       **"(c) WAGES.**—For purposes of this section, the term  
20       'wages' has the meaning given to such term by section  
21       3121(a).

22       **"(d) APPLICATION TO AGREEMENTS UNDER SECTION**  
23       **218 OF THE SOCIAL SECURITY ACT.**—For purposes of de-

1 terminating amounts equivalent to the tax imposed by section  
2 3101(a) with respect to remuneration which—

3 “(1) is covered by an agreement under section  
4 218 of the Social Security Act, and

5 “(2) is paid during 1984,  
6 the credit allowed by subsection (a) shall be taken into ac-  
7 count. A similar rule shall also apply in the case of an agree-  
8 ment under section 3121(l).

9 “(e) CREDIT AGAINST RAILROAD RETIREMENT EM-  
10 PLOYEE AND EMPLOYEE REPRESENTATIVE TAXES.—

11 “(1) IN GENERAL.—There shall be allowed as a  
12 credit against the taxes imposed by sections 3201(a)  
13 and 3211(a) on compensation paid during 1984 and  
14 subject to such taxes an amount equal to  $\frac{3}{10}$  of 1 per-  
15 cent of such compensation.

16 “(2) TIME CREDIT ALLOWED.—The credit under  
17 paragraph (1) shall be taken into account in determin-  
18 ing the amount of the tax deducted under section  
19 3202(a) (or the amount of the tax under section  
20 3211(a)).

21 “(3) COMPENSATION.—For purposes of this sub-  
22 section, the term ‘compensation’ has the meaning given  
23 to such term by section 3231(e).

24 “(f) COORDINATION WITH SECTION 6413(c).—For  
25 purposes of subsection (c) of section 6413, in determining the

1 amount of the tax imposed by section 3101 or 3201, any  
2 credit allowed by this section shall be taken into account.”

3 (2) CLERICAL AMENDMENT.—The table of sec-  
4 tions for chapter 25 of such Code is amended by  
5 adding at the end thereof the following new item.

“Sec. 3510. Credit for increased social security employee taxes and railroad  
retirement tier 1 employee taxes imposed during 1984.”

6 (3) EFFECTIVE DATE.—The amendments made  
7 by this subsection shall apply to remuneration paid  
8 during 1984.

9 (4) DEPOSITS IN SOCIAL SECURITY TRUST  
10 FUNDS.—For purposes of subsection (h) of section 218  
11 of the Social Security Act (relating to deposits in social  
12 security trust funds of amounts received under section  
13 218 agreements), amounts allowed as a credit pursuant  
14 to subsection (d) of section 3510 of the Internal Reve-  
15 nue Code of 1954 (relating to credit for remuneration  
16 paid during 1984 which is covered under an agreement  
17 under section 218 of the Social Security Act) shall be  
18 treated as amounts received under such an agreement.

19 (5) DEPOSITS IN RAILROAD RETIREMENT AC-  
20 COUNT.—For purposes of subsection (a) of section 15  
21 of the Railroad Retirement Act of 1974, amounts al-  
22 lowed as a credit under subsection (e) of section 3510  
23 of the Internal Revenue Code of 1954 shall be treated

1 as amounts covered into the Treasury under subsection  
 2 (a) of section 3201 of such Code.

3 **SEC. 124. TAXES ON SELF-EMPLOYMENT INCOME; CREDIT**  
 4 **AGAINST SUCH TAXES.**

5 (a) **INCREASE IN RATES.**—Subsections (a) and (b) of  
 6 section 1401 of the Internal Revenue Code of 1954 (relating  
 7 to rates of tax on self-employment income) are amended to  
 8 read as follows:

9 “(a) **OLD-AGE, SURVIVORS, AND DISABILITY INSUR-**  
 10 **ANCE.**—In addition to other taxes, there shall be imposed for  
 11 each taxable year, on the self-employment income of every  
 12 individual, a tax equal to the following percent of the amount  
 13 of the self-employment income for such taxable year:

“In the case of a taxable year

Beginning after:	And before:	Percent:
December 31, 1983	January 1, 1988.....	11.40
December 31, 1987	January 1, 1990.....	12.12
December 31, 1989.....		12.40

14 “(b) **HOSPITAL INSURANCE.**—In addition to the tax  
 15 imposed by the preceding subsection, there shall be imposed  
 16 for each taxable year, on the self-employment income of  
 17 every individual, a tax equal to the following percent of the  
 18 amount of the self-employment income for such taxable year:

“In the case of a taxable year

Beginning after:	And before:	Percent:
December 31, 1983	January 1, 1985.....	2.60
December 31, 1984	January 1, 1986.....	2.70
December 31, 1985.....		2.90.”

1 (b) CREDIT AGAINST SELF-EMPLOYMENT TAXES.—

2 Section 1401 of such Code is amended by redesignating sub-  
3 section (c) as subsection (d) and by inserting after subsection  
4 (b) the following new subsection:

5 “(c) CREDIT AGAINST TAXES IMPOSED BY THIS SEC-  
6 TION.—

7 “(1) IN GENERAL.—There shall be allowed as a  
8 credit against the taxes imposed by this section for any  
9 taxable year an amount equal to 1.8 percent (1.9 per-  
10 cent in the case of taxable years beginning after De-  
11 cember 31, 1987) of the self-employment income of the  
12 individual for such taxable year.

13 “(2) ADDITIONAL CREDIT FOR 1984.—In addi-  
14 tion to the credit allowed by paragraph (1), there shall  
15 be allowed as a credit against the taxes imposed by  
16 this section for any taxable year beginning during 1984  
17 an amount equal to  $\frac{3}{10}$  of 1 percent of the self-em-  
18 ployment income of the individual for such taxable  
19 year.”

20 (c) EFFECTIVE DATE.—The amendments made by this  
21 section shall apply to taxable years beginning after December  
22 31, 1983.

23 ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND

24 SEC. 125. (a) Section 201(b)(1) of the Social Security  
25 Act is amended by striking out clauses (K) through (M) and

1 inserting in lieu thereof the following: “(K) 1.65 per centum  
2 of the wages (as so defined) paid after December 31, 1981,  
3 and before January 1, 1983, and so reported, (L) 1.25 per  
4 centum of the wages (as so defined) paid after December 31,  
5 1982, and before January 1, 1984, and so reported, (M) 1.00  
6 per centum of the wages (as so defined) paid after December  
7 31, 1983, and before January 1, 1990, and so reported, and  
8 (N) 1.20 per centum of the wages (as so defined) paid after  
9 December 31, 1989, and so reported,”.

10 (b) Section 201(b)(2) of such Act is amended by striking  
11 out clauses (K) through (M) and inserting in lieu thereof the  
12 following: “(K) 1.2375 per centum of the amount of self-  
13 employment income (as so defined) so reported for any tax-  
14 able year beginning after December 31, 1981, and before  
15 January 1, 1983, (L) 0.9375 per centum of the amount of  
16 self-employment income (as so defined) so reported for any  
17 taxable year beginning after December 31, 1982, and before  
18 January 1, 1984, (M) 1.00 per centum of the amount of self-  
19 employment income (as so defined) so reported for any tax-  
20 able year beginning after December 31, 1983, and before  
21 January 1, 1990, and (N) 1.20 per centum of the self-em-  
22 ployment income (as so defined) so reported for any taxable  
23 year beginning after December 31, 1989,”.

1       PART D—BENEFITS FOR CERTAIN SURVIVING,  
2               DIVORCED, AND DISABLED SPOUSES  
3       BENEFITS FOR SURVIVING DIVORCED SPOUSES AND  
4       DISABLED WIDOWS AND WIDOWERS WHO REMARRY  
5       SEC. 131. (a)(1) Section 202(e)(3) of the Social Security  
6       Act is repealed.  
7       (2) Section 202(e)(4) of such Act is amended to read as  
8       follows:  
9       “(4) For purposes of paragraph (1), if—  
10       “(A) a widow or surviving divorced wife marries  
11       after attaining age 60 (or after attaining age 50 if she  
12       was entitled before such marriage occurred to benefits  
13       based on disability under this subsection), or  
14       “(B) a disabled widow or disabled surviving di-  
15       vorced wife described in paragraph (1)(B)(ii) marries  
16       after attaining age 50,  
17       such marriage shall be deemed not to have occurred.”.  
18       (3)(A) Section 202(e) of such Act is further amended by  
19       redesignating paragraph (4) (as amended by paragraph (2) of  
20       this subsection), and paragraphs (5) through (8), as para-  
21       graphs (3) through (7), respectively.  
22       (B) Section 202(e)(1)(B)(ii) of such Act is amended by  
23       striking out “(5)” and inserting in lieu thereof “(4)”.

1 (C) Section 202(e)(1)(F) of such Act is amended by strik-  
2 ing out “(6)” in clause (i) and “(5)” in clause (ii) and inserting  
3 in lieu thereof “(5)” and “(4)”, respectively.

4 (D) Section 202(e)(2)(A) of such Act is amended by  
5 striking out “(8)” and inserting in lieu thereof “(7)”.

6 (E) The paragraph of section 202(e) of such Act redesignig-  
7 nated as paragraph (5) by subparagraph (A) of this paragraph  
8 is amended by striking out “(5)” and inserting in lieu thereof  
9 “(4)”.

10 (F) The paragraph of such section 202(e) redesignated  
11 as paragraph (7) by subparagraph (A) of this paragraph is  
12 amended by striking out “(4)” and inserting in lieu thereof  
13 “(3)”.

14 (G) Section 202(k) of such Act is amended by striking  
15 out “(e)(4)” each place it appears in paragraphs (2)(B) and  
16 (3)(B) and inserting in lieu thereof “(e)(3)”.

17 (H) Section 226(e)(1)(A) of such Act is amended by  
18 striking out “202(e)(5)” and inserting in lieu thereof  
19 “202(e)(4)”.

20 (b)(1) Section 202(f)(4) of such Act is repealed.

21 (2) Section 202(f)(5) of such Act is amended to read as  
22 follows:

23 “(5) For purposes of paragraph (1), if—

24 “(A) a widower marries after attaining age 60 (or  
25 after attaining age 50 if he was entitled before such

1 marriage occurred to benefits based on disability under  
2 this subsection), or

3 “(B) a disabled widower described in paragraph  
4 (1)(B)(ii) marries after attaining age 50,  
5 such marriage shall be deemed not to have occurred.”.

6 (3)(A) Section 202(f) of such Act is further amended by  
7 redesignating paragraph (5) (as amended by paragraph (2) of  
8 this subsection), and paragraphs (6) through (8), as para-  
9 graphs (4) through (7), respectively.

10 (B) Section 202(f)(1)(B)(ii) of such Act is amended by  
11 striking out “(6)” and inserting in lieu thereof “(5)”.

12 (C) Section 202(f)(1)(F) of such Act is amended by strik-  
13 ing out “(7)” in clause (i) and “(6)” in clause (ii) and inserting  
14 in lieu thereof “(6)” and “(5)”, respectively.

15 (D) Section 202(f)(2)(A) of such Act is amended by strik-  
16 ing out “(5)” and inserting in lieu thereof “(4)”.

17 (E) The paragraph of section 202(f) of such Act redesign-  
18 nated as paragraph (6) by subparagraph (A) of this paragraph  
19 is amended by striking out “(6)” and inserting in lieu thereof  
20 “(5)”.

21 (F) Section 202(k) of such Act is amended by striking  
22 out “(f)(5)” each place it appears in paragraphs (2)(B) and  
23 (3)(B) and inserting in lieu thereof “(f)(4)”.

1 (G) Section 226(e)(1)(A) of such Act is amended by  
2 striking out “202(f)(6)” and inserting in lieu thereof  
3 “202(f)(5)”.

4 (c)(1) Section 202(s)(2) of such Act is amended by strik-  
5 ing out “Subsection (f)(4), and so much of subsections (b)(3),  
6 (d)(5), (e)(3), (g)(3), and (h)(4)” and inserting in lieu thereof  
7 “So much of subsections (b)(3), (d)(5), (g)(3), and (h)(4)”.

8 (2) Section 202(s)(3) of such Act is amended by striking  
9 out “(e)(3),”.

10 (d)(1) The amendments made by this section shall be  
11 effective with respect to monthly benefits payable under title  
12 II of the Social Security Act for months after December  
13 1983.

14 (2) In the case of an individual who was not entitled to a  
15 monthly benefit of the type involved under title II of such  
16 Act for December 1983, no benefit shall be paid under such  
17 title by reason of such amendments unless proper application  
18 for such benefit is made.

19 ENTITLEMENT TO DIVORCED SPOUSE’S BENEFITS BEFORE  
20 ENTITLEMENT OF INSURED INDIVIDUAL TO BENE-  
21 FITS; EXEMPTION OF DIVORCED SPOUSE’S BENEFITS  
22 FROM DEDUCTION ON ACCOUNT OF WORK

23 SEC. 132. (a) Section 202(b) of the Social Security Act  
24 is amended by adding at the end thereof the following new  
25 paragraph:

1       “(5)(A) Notwithstanding the preceding provisions of this  
2 subsection, except as provided in subparagraph (B), the di-  
3 vorced wife of an individual who is not entitled to old-age or  
4 disability insurance benefits, but who has attained age 62 and  
5 is a fully insured individual (as defined in section 214), if such  
6 divorced wife—

7               “(i) meets the requirements of subparagraphs (A)  
8 through (D) of paragraph (1), and

9               “(ii) has been divorced from such insured indi-  
10 vidual for not less than 2 years,  
11 shall be entitled to a wife’s insurance benefit under this sub-  
12 section for each month, in such amount, and beginning and  
13 ending with such months, as determined (under regulations of  
14 the Secretary) in the manner otherwise provided for wife’s  
15 insurance benefits under this subsection, as if such insured  
16 individual had become entitled to old-age insurance benefits  
17 on the date on which the divorced wife first meets the criteria  
18 for entitlement set forth in clauses (i) and (ii).

19       “(B) A wife’s insurance benefit provided under this  
20 paragraph which has not otherwise terminated in accordance  
21 with subparagraph (E), (F), (H), or (J) of paragraph (1) shall  
22 terminate with the month preceding the first month in which  
23 the insured individual is no longer a fully insured individu-  
24 al.”.

25       (b)(1)(A) Section 203(b) of such Act is amended—

1 (i) by inserting “(1)” after “(b)”;

2 (ii) by striking out “(1) such individual’s benefit”  
3 and “(2) if such individual” and inserting in lieu there-  
4 of “(A) such individual’s benefit” and “(B) if such indi-  
5 vidual”, respectively;

6 (iii) by striking out “clauses (1) and (2)” and in-  
7 serting in lieu thereof “clauses (A) and (B)”;

8 (iv) by striking out “(A) an individual” and “(B) if  
9 a deduction” and inserting in lieu thereof “(i) an indi-  
10 vidual” and “(ii) if a deduction”, respectively; and

11 (v) by adding at the end thereof the following new  
12 paragraph:

13 “(2) When any of the other persons referred to in para-  
14 graph (1)(B) is entitled to monthly benefits as a divorced  
15 spouse under section 202 (b) or (c) for any month, the benefit  
16 to which he or she is entitled on the basis of the wages and  
17 self-employment income of the individual referred to in para-  
18 graph (1) for such month shall be determined without regard  
19 to this subsection, and the benefits of all other individuals  
20 who are entitled for such month to monthly benefits under  
21 section 202 on the basis of the wages and self-employment  
22 income of such individual referred to in paragraph (1) shall be  
23 determined as if no such divorced spouse were entitled to  
24 benefits for such month.”.

25 (B)(i) Section 203(f)(1) of such Act is amended—

1 (I) in the first sentence, by inserting “(excluding  
2 surviving spouses referred to in subsection (b)(2))” after  
3 “all other persons” the first place it appears, and by  
4 striking out “all other persons” the second place it ap-  
5 pears and inserting in lieu thereof “all such other per-  
6 sons”; and

7 (II) in the second sentence, by inserting “(exclud-  
8 ing divorced spouses referred to in subsection (b)(2))”  
9 after “other persons”.

10 (ii) Section 203(f)(7) of such Act is amended by inserting  
11 “(excluding divorced spouses referred to in subsection (b)(2))”  
12 after “all persons”.

13 (2) Section 203(d)(1) of such Act is amended—

14 (A) by inserting “(A)” after “(d)(1)”; and

15 (B) by adding at the end thereof the following  
16 new subparagraph:

17 “(B) When any divorced spouse is entitled to monthly  
18 benefits under section 202 (b) or (c) for any month, the bene-  
19 fit to which he or she is entitled for such month on the basis  
20 of the wages and self-employment income of the individual  
21 entitled to old-age insurance benefits referred to in subpara-  
22 graph (A) shall be determined without regard to this para-  
23 graph, and the benefits of all other individuals who are enti-  
24 tled for such month to monthly benefits under section 202 on  
25 the basis of the wages and self-employment income of such

1 individual referred to in subparagraph (A) shall be determined  
2 as if no such divorced spouse were entitled to benefits for  
3 such month.”.

4 (c)(1) The amendments made by subsection (a) shall  
5 apply with respect to monthly insurance benefits for months  
6 after December 1984, but only on the basis of applications  
7 filed on or after January 1, 1985.

8 (2) The amendments made by subsection (b) shall apply  
9 with respect to monthly insurance benefits for months after  
10 December 1984.

11 INDEXING OF DEFERRED SURVIVING SPOUSE’S BENEFITS  
12 TO RECENT WAGE LEVELS

13 SEC. 133. (a)(1) Section 202(e)(2) of the Social Security  
14 Act is amended—

15 (A) by redesignating subparagraph (B) as subpara-  
16 graph (D); and

17 (B) by striking out “(2)(A) Except” and all that  
18 follows down through “If such deceased individual”  
19 and inserting in lieu thereof the following:

20 “(2)(A) Except as provided in subsection (q), paragraph  
21 (8) of this subsection, and subparagraph (D) of this para-  
22 graph, such widow’s insurance benefit for each month shall  
23 be equal to the primary insurance amount (as determined for  
24 purposes of this subsection after application of subparagraphs  
25 (B) and (C)) of such deceased individual.

1       “(B)(i) For purposes of this subsection, in any case in  
2 which such deceased individual dies before attaining age 62  
3 and section 215(a)(1) (as in effect after December 1978) is  
4 applicable in determining such individual’s primary insurance  
5 amount—

6           “(I) such primary insurance amount shall be de-  
7 termined under the formula set forth in section  
8 215(a)(1)(B)(i) and (ii) which is applicable to individuals  
9 who initially become eligible for old-age insurance  
10 benefits in the second year after the year specified in  
11 clause (ii),

12           “(II) the year specified in clause (ii) shall be sub-  
13 stituted for the second calendar year specified in sec-  
14 tion 215(b)(3)(A)(ii)(I), and

15           “(III) such primary insurance amount shall be in-  
16 creased under section 215(i) as if it were the primary  
17 insurance amount referred to in section  
18 215(i)(2)(A)(ii)(II), except that it shall be increased only  
19 for years beginning after the first year after the year  
20 specified in clause (ii).

21           “(ii) The year specified in this clause is the earlier of—

22           “(I) the year in which the deceased individual at-  
23 tained age 60, or would have attained age 60 had he  
24 lived to that age, or

1           “(II) the second year preceding the year in which  
2       the widow or surviving divorced wife first meets the  
3       requirements of paragraph (1)(B) or the second year  
4       preceding the year in which the deceased individual  
5       died, whichever is later.

6           “(iii) This subparagraph shall apply with respect to any  
7       benefit under this subsection only to the extent its application  
8       does not result in a primary insurance amount for purposes of  
9       this subsection which is less than the primary insurance  
10      amount otherwise determined for such deceased individual  
11      under section 215.

12          “(C) If such deceased individual”.

13          (2) Section 202(e) of such Act (as amended by para-  
14      graph (1) of this subsection) is further amended—

15              (A) in paragraph (1)(D) and in the matter in para-  
16      graph (1) following subparagraph (F)(ii), by inserting  
17      “(as determined after application of subparagraphs (B)  
18      and (C) of paragraph (2))” after “primary insurance  
19      amount”; and

20              (B) in paragraph (2)(D)(ii), by inserting “(as deter-  
21      mined without regard to subparagraph (C))” after “pri-  
22      mary insurance amount”.

23          (b)(1) Section 202(f)(3) of such Act is amended—

24              (A) by redesignating subparagraph (B) as subpara-  
25      graph (D); and

1 (B) by striking out “(3)(A) Except” and all that  
2 follows down through “If such deceased individual”  
3 and inserting in lieu thereof the following:

4 “(3)(A) Except as provided in subsection (q), paragraph  
5 (2) of this subsection, and subparagraph (D) of this para-  
6 graph, such widower’s insurance benefit for each month shall  
7 be equal to the primary insurance amount (as determined for  
8 purposes of this subsection after application of subparagraphs  
9 (B) and (C)) of such deceased individual.

10 “(B)(i) For purposes of this subsection, in any case in  
11 which such deceased individual dies before attaining age 62  
12 and section 215(a)(1) (as in effect after December 1978) is  
13 applicable in determining such individual’s primary insurance  
14 amount—

15 “(I) such primary insurance amount shall be de-  
16 termined under the formula set forth in section  
17 215(a)(1)(B) (i) and (ii) which is applicable to individ-  
18 uals who initially become eligible for old-age insurance  
19 benefits in the second year after the year specified in  
20 clause (ii),

21 “(II) the year specified in clause (ii) shall be sub-  
22 stituted for the second calendar year specified in sec-  
23 tion 215(b)(3)(A)(ii)(I), and

24 “(III) such primary insurance amount shall be in-  
25 creased under section 215(i) as if it were the primary

1 insurance amount referred to in section  
2 215(i)(2)(A)(ii)(II), except that it shall be increased only  
3 for years beginning after the first year after the year  
4 specified in clause (ii).

5 “(ii) The year specified in this clause is the earlier of—

6 “(I) the year in which the deceased individual at-  
7 tained age 60, or would have attained age 60 had she  
8 lived to that age, or

9 “(II) the second year preceding the year in which  
10 the widower first meets the requirements of paragraph  
11 (1)(B) or the second year preceding the year in which  
12 the deceased individual died, whichever is later.

13 “(iii) This subparagraph shall apply with respect to any  
14 benefit under this subsection only to the extent its application  
15 does not result in a primary insurance amount for purposes of  
16 this subsection which is less than the primary insurance  
17 amount otherwise determined for such deceased individual  
18 under section 215.

19 “(C) If such deceased individual”.

20 (2) Section 202(f) of such Act (as amended by paragraph  
21 (1) of this subsection) is further amended—

22 (A) in paragraph (1)(D) and in the matter in para-  
23 graph (1) following subparagraph (F)(ii), by inserting

24 “(as determined after application of subparagraphs (B)

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1       and (C) of paragraph (3))” after “primary insurance  
2       amount”; and

3               (B) in paragraph (3)(D)(ii), by inserting “(as deter-  
4       mined without regard to subparagraph (C))” after “pri-  
5       mary insurance amount”.

6       (c) The amendments made by this section shall apply  
7       with respect to monthly insurance benefits for months after  
8       December 1984 for individuals who first meet all criteria for  
9       entitlement to benefits under section 202 (e) or (f) of the  
10      Social Security Act (other than making application for such  
11      benefits) after December 1984.

12   LIMITATION ON BENEFIT REDUCTION FOR EARLY RETIRE-  
13      MENT IN CASE OF DISABLED WIDOWS AND WIDOW-  
14      ERS

15      SEC. 134. (a)(1) Section 202(q)(1) of the Social Security  
16      Act is amended by striking out the semicolon at the end of  
17      subparagraph (B)(ii) and all that follows and inserting in lieu  
18      thereof a period.

19      (2)(A) Section 202(q)(6) of such Act is amended to read  
20      as follows:

21      “(6) For purposes of this subsection, the ‘reduction  
22      period’ for an individual’s old-age, wife’s, husband’s,  
23      widow’s, or widower’s insurance benefit is the period—

24               “(A) beginning—

1           “(i) in the case of an old-age or husband’s in-  
2           surance benefit, with the first day of the first  
3           month for which such individual is entitled to such  
4           benefit,

5           “(ii) in the case of a wife’s insurance benefit,  
6           with the first day of the first month for which a  
7           certificate described in paragraph (5)(A)(i) is effec-  
8           tive, or

9           “(iii) in the case of a widow’s or widower’s  
10          insurance benefit, with the first day of the first  
11          month for which such individual is entitled to such  
12          benefit or the first day of the month in which such  
13          individual attains age 60, whichever is the later,  
14          and

15          “(B) ending with the last day of the month before  
16          the month in which such individual attains retirement  
17          age.”.

18          (B) Section 202(q)(3)(G) of such Act is amended by  
19          striking out “paragraph (6)(A) (or, if such paragraph does not  
20          apply, the period specified in paragraph (6)(B))” and inserting  
21          in lieu thereof “paragraph (6)”.

22          (C) Section 202(q) of such Act is further amended, in  
23          paragraphs (1)(B)(i), (3)(E)(ii), and (3)(F)(ii)(I), by striking out  
24          “paragraph (6)(A)” and inserting in lieu thereof “paragraph  
25          (6)”.

1       (3) Section 202(q)(7) of such Act is amended by striking  
2 out the matter preceding subparagraph (A) and inserting in  
3 lieu thereof the following:

4       “(7) For purposes of this subsection, the ‘adjusted re-  
5 duction period’ for an individual’s old-age, wife’s, husband’s,  
6 widow’s, or widower’s insurance benefit is the reduction  
7 period prescribed in paragraph (6) for such benefit, exclud-  
8 ing—”.

9       (4) Section 202(q)(10) of such Act is amended—

10       (A) in that part of the second sentence preceding  
11 clause (A), by striking out “or an additional adjusted  
12 reduction period”;

13       (B) in clauses (B)(i) and (C)(i), by striking out “,  
14 plus the number of months in the adjusted additional  
15 reduction period multiplied by  $\frac{3}{4}$  of 1 percent”;

16       (C) in clause (B)(ii), by striking out “plus the  
17 number of months in the additional reduction period  
18 multiplied by  $\frac{3}{4}$  of 1 percent,”; and

19       (D) in clause (C)(ii), by striking out “plus the  
20 number of months in the adjusted additional reduction  
21 period multiplied by  $\frac{3}{4}$  of 1 percent.”.

22       (b) Section 202(m)(2)(B) of such Act (as applicable after  
23 the enactment of section 2 of Public Law 97-123) is amend-  
24 ed by striking out “subsection (q)(6)(A)(ii)” and inserting in  
25 lieu thereof “subsection (q)(6)(B)”.

1 (c) The amendments made by this section shall apply  
2 with respect to benefits for months after December 1983.

3 **PART E—MECHANISMS TO ASSURE CONTINUED BENEFIT**  
4 **PAYMENTS IN UNEXPECTEDLY ADVERSE CONDITIONS**  
5 **NORMALIZED CREDITING OF SOCIAL SECURITY TAXES TO**  
6 **TRUST FUNDS**

7 **SEC. 141. (a)(1)** The last sentence of section 201(a) of  
8 the Social Security Act is amended—

9 (A) by striking out “from time to time” each  
10 place it appears and inserting in lieu thereof “monthly  
11 on the first day of each calendar month”; and

12 (B) by striking out “paid to or deposited into the  
13 Treasury” and inserting in lieu thereof “to be paid to  
14 or deposited into the Treasury during such month”.

15 (2) Section 201(a) of such Act is further amended by  
16 adding at the end thereof the following new sentence: “All  
17 amounts transferred to either Trust Fund under the preced-  
18 ing sentence shall be invested by the Managing Trustee in  
19 the same manner and to the same extent as the other assets  
20 of such Trust Fund; and such Trust Fund shall pay interest  
21 to the general fund on the amount so transferred on the first  
22 day of any month at a rate (calculated on a daily basis, and  
23 applied against the difference between the amount so trans-  
24 ferred on such first day and the amount which would have  
25 been transferred to the Trust Fund up to that day under the

1 procedures in effect on January 1, 1983) equal to the rate  
2 earned by the investments of such Fund in the same month  
3 under subsection (d).”.

4 (b)(1) The last sentence of section 1817(a) of such Act is  
5 amended—

6 (A) by striking out “from time to time” and in-  
7 serting in lieu thereof “monthly on the first day of  
8 each calendar month”; and

9 (B) by striking out “paid to or deposited into the  
10 Treasury” and inserting in lieu thereof “to be paid to  
11 or deposited into the Treasury during such month”.

12 (2) Section 1817(a) of such Act is further amended by  
13 adding at the end thereof the following new sentence: “All  
14 amounts transferred to the Trust Fund under the preceding  
15 sentence shall be invested by the Managing Trustee in the  
16 same manner and to the same extent as the other assets of  
17 the Trust Fund; and the Trust Fund shall pay interest to the  
18 general fund on the amount so transferred on the first day of  
19 any month at a rate (calculated on a daily basis, and applied  
20 against the difference between the amount so transferred on  
21 such first day and the amount which would have been trans-  
22 ferred to the Trust Fund up to that day under the procedures  
23 in effect on January 1, 1983) equal to the rate earned by the  
24 investments of the Trust Fund in the same month under sub-  
25 section (c).”.

1 (c) The amendments made by this section shall become  
2 effective on the first day of the month following the month in  
3 which this Act is enacted.

4 INTERFUND BORROWING EXTENSION

5 SEC. 142. (a) Sections 201(l)(1) and 1817(j)(1) of the  
6 Social Security Act are each amended by striking out "Janu-  
7 ary 1983" and inserting in lieu thereof "January 1, 1988".

8 (b) Sections 201(l)(3) and 1817(j)(3) of such Act are  
9 each amended by inserting before the period at the end there-  
10 of the following: "; but the full amount of all such loans  
11 (whether made before or after January 1, 1983) shall be  
12 repaid at the earliest feasible date and in any event no later  
13 than December 31, 1989.'".

14 RECOMMENDATIONS BY BOARD OF TRUSTEES TO REMEDY  
15 INADEQUATE BALANCES IN THE SOCIAL SECURITY  
16 TRUST FUNDS

17 SEC. 143. Title VII of the Social Security Act is  
18 amended by adding at the end thereof the following new sec-  
19 tion:

20 "RECOMMENDATIONS BY BOARD OF TRUSTEES TO REMEDY  
21 INADEQUATE BALANCES IN THE SOCIAL SECURITY  
22 TRUST FUNDS

23 "SEC. 709. If the Board of Trustees of the Federal Old-  
24 Age and Survivors Insurance Trust Fund, the Federal Dis-  
25 ability Insurance Trust Fund, the Federal Hospital Insurance



1       this title and title XVIII, together with associated ad-  
2       ministrative costs, resulting from the operation of this  
3       section (other than this subsection) and section 210 of  
4       this Act as in effect before the enactment of the Social  
5       Security Act Amendments of 1950, over

6               “(B) any amounts previously transferred from the  
7       general fund of the Treasury to such Trust Funds pur-  
8       suant to the provisions of this subsection as in effect  
9       immediately before the date of the enactment of the  
10      Social Security Act Amendments of 1983.

11   Such actuarial present value shall be based on the relevant  
12   actuarial assumptions set forth in the report of the Board of  
13   Trustees of each such Trust Fund for 1983 under sections  
14   201(c) and 1817(b). Within thirty days after the date of the  
15   enactment of the Social Security Act Amendments of 1983,  
16   the Secretary of the Treasury shall transfer the amount de-  
17   termined under this paragraph with respect to each such  
18   Trust Fund to such Trust Fund from amounts in the general  
19   fund of the Treasury not otherwise appropriated.

20           “(2) The Secretary shall revise the amount determined  
21   under paragraph (1) with respect to each such Trust Fund in  
22   1985 and each fifth year thereafter, as determined appropri-  
23   ate by the Secretary from data which becomes available to  
24   him after the date of the determination under paragraph (1)  
25   on the basis of the amount of benefits and administrative ex-

1   penses actually paid from such Trust Fund under this title or  
2   title XVIII and the relevant actuarial assumptions set forth  
3   in the report of the Board of Trustees of such Trust Fund for  
4   such year under section 201(c) or 1817(b). Within 30 days  
5   after any such revision, the Secretary of the Treasury, to the  
6   extent provided in advance in appropriation Acts, shall trans-  
7   fer to such Trust Fund, from amounts in the general fund of  
8   the Treasury not otherwise appropriated, or from such Trust  
9   Fund to the general fund of the Treasury, such amounts as  
10  the Secretary of the Treasury determines necessary to com-  
11  pensate for such revision.”.

12       (b)(1) Section 229(b) of such Act is amended to read as  
13  follows:

14       “(b) There are authorized to be appropriated to each of  
15  the Trust Funds, consisting of the Federal Old-Age and Sur-  
16  vivors Insurance Trust Fund, the Federal Disability Insur-  
17  ance Trust Fund, and the Federal Hospital Insurance Trust  
18  Fund, for transfer on July 1 of each calendar year to such  
19  Trust Fund from amounts in the general fund in the Treasury  
20  not otherwise appropriated, an amount equal to the total of  
21  the additional amounts which would be appropriated to such  
22  Trust Fund for the fiscal year ending September 30 of such  
23  calendar year under section 201 or 1817 of this Act if the  
24  amounts of the additional wages deemed to have been paid  
25  for such calendar year by reason of subsection (a) constituted

1 remuneration for employment (as defined in section 3121(b)  
2 of the Internal Revenue Code of 1954) for purposes of the  
3 taxes imposed by sections 3101 and 3111 of the Internal  
4 Revenue Code of 1954. Amounts authorized to be appropri-  
5 ated under this subsection for transfer on July 1 of each cal-  
6 endar year shall be determined on the basis of estimates of  
7 the Secretary of the wages deemed to be paid for such calen-  
8 dar year under subsection (a); and proper adjustments shall  
9 be made in amounts authorized to be appropriated for subse-  
10 quent transfer to the extent prior estimates were in excess of  
11 or were less than such wages so deemed to be paid.”.

12 (2) The amendment made by paragraph (1) shall be ef-  
13 fective with respect to wages deemed to have been paid for  
14 calendar years after 1982.

15 (3)(A) Within thirty days after the date of the enactment  
16 of this Act, the Secretary of Health and Human Services  
17 shall determine the additional amounts which would have  
18 been appropriated to the Federal Old-Age and Survivors In-  
19 surance Trust Fund, the Federal Disability Insurance Trust  
20 Fund, and the Federal Hospital Insurance Trust Fund under  
21 sections 201 and 1817 of the Social Security Act if the addi-  
22 tional wages deemed to have been paid under section 229(a)  
23 of the Social Security Act prior to 1983 had constituted re-  
24 muneration for employment (as defined in section 3121(b) of  
25 the Internal Revenue Code of 1954) for purposes of the taxes

1 imposed by sections 3101 and 3111 of the Internal Revenue  
2 Code of 1954, and the amount of interest which would have  
3 been earned on such amounts if they had been so appropri-  
4 ated.

5 (B)(i) Within thirty days after the date of the enactment  
6 of this Act, the Secretary of the Treasury shall transfer to  
7 each such Trust Fund, from amounts in the general fund of  
8 the Treasury not otherwise appropriated, an amount equal to  
9 the amount determined with respect to such Trust Fund  
10 under subparagraph (A), less any amount appropriated to  
11 such Trust Fund pursuant to the provisions of section 229(b)  
12 of the Social Security Act prior to the date of the determina-  
13 tion made under paragraph (1) with respect to wages deemed  
14 to have been paid for calendar years prior to 1983.

15 (ii) The Secretary of Health and Human Services shall  
16 revise the amount determined under clause (i) with respect to  
17 each such Trust Fund within one year after the date of the  
18 transfer made to such Trust Fund under clause (i), as deter-  
19 mined appropriate by such Secretary from data which be-  
20 comes available to him after the date of the transfer under  
21 clause (i). Within 30 days after any such revision, the Secre-  
22 tary of the Treasury shall transfer to such Trust Fund, from  
23 amounts in the general fund of the Treasury not otherwise  
24 appropriated, or from such Trust Fund to the general fund of  
25 the Treasury, such amounts as the Secretary of Health and

1 Human Services certifies as necessary to compensate for  
2 such revision.

3 ACCOUNTING FOR CERTAIN UNNEGOTIATED CHECKS FOR  
4 BENEFITS UNDER THE SOCIAL SECURITY PROGRAM

5 SEC. 152. (a) Section 201 of the Social Security Act (as  
6 amended by section 143 of this Act) is further amended by  
7 adding at the end thereof the following new subsection:

8 “(n)(1) The Secretary of the Treasury shall implement  
9 procedures to permit the identification of each check issued  
10 for benefits under this title that has not been presented for  
11 payment by the close of the sixth month following the month  
12 of its issuance.

13 “(2) The Secretary of the Treasury shall, on a monthly  
14 basis, credit each of the Trust Funds for the amount of all  
15 benefit checks (including interest thereon) drawn on such  
16 Trust Fund more than 6 months previously but not presented  
17 for payment and not previously credited to such Trust Fund.

18 “(3) If a benefit check is presented for payment to the  
19 Treasury and the amount thereof has been previously cred-  
20 ited pursuant to paragraph (2) to one of the Trust Funds, the  
21 Secretary of the Treasury shall nevertheless pay such check,  
22 if otherwise proper, recharge such Trust Fund, and notify the  
23 Secretary of Health and Human Services.

24 “(4) A benefit check bearing a current date may be  
25 issued to an individual who did not negotiate the original

1 benefit check and who surrenders such check for cancellation  
2 if the Secretary of the Treasury determines it is necessary to  
3 effect proper payment of benefits.”.

4 (b) The amendment made by subsection (a) shall apply  
5 with respect to all checks for benefits under title II of the  
6 Social Security Act which are issued on or after the first day  
7 of the twenty-fourth month following the month in which this  
8 Act is enacted.

9 (c)(1) The Secretary of the Treasury shall transfer from  
10 the general fund of the Treasury to the Federal Old-Age and  
11 Survivors Insurance Trust Fund and to the Federal Disabil-  
12 ity Insurance Trust Fund, in the month following the month  
13 in which this Act is enacted and in each of the succeeding 30  
14 months, such sums as may be necessary to reimburse such  
15 Trust Funds in the total amount of all checks (including in-  
16 terest thereon) which he and the Secretary of Health and  
17 Human Services jointly determine to be unnegotiated benefit  
18 checks. After any amounts authorized by this subsection have  
19 been transferred to a Trust Fund with respect to any benefit  
20 check, the provisions of paragraphs (3) and (4) of section  
21 201(m) of the Social Security Act (as added by subsection (a)  
22 of this section) shall be applicable to such check.

23 (2) As used in paragraph (1), the term “unnegotiated  
24 benefit checks” means checks for benefits under title II of the  
25 Social Security Act which are issued prior to the twenty-

1 fourth month following the month in which this Act is en-  
2 acted, which remain unnegotiated after the sixth month fol-  
3 lowing the date on which they were issued, and with respect  
4 to which no transfers have previously been made in accord-  
5 ance with the first sentence of such paragraph.

6 TITLE II—ADDITIONAL PROVISIONS RELATING  
7 TO LONG-TERM FINANCING OF THE SOCIAL  
8 SECURITY SYSTEM

9 ADJUSTMENTS IN OASDI BENEFIT FORMULA

10 SEC. 201. (a) Section 215(a)(1)(A) of the Social Security  
11 Act is amended by striking out “90 percent” in clause (i),  
12 “32 percent” in clause (ii), and “15 percent” in clause (iii)  
13 and inserting in lieu thereof in each instance “the applicable  
14 percentage (determined under paragraph (8))”.

15 (b) The first sentence of section 215(a)(7)(B) of such Act  
16 (as added by section 113(a) of this Act) is amended by strik-  
17 ing out “61 percent” and inserting in lieu thereof “the appli-  
18 cable percentage as determined under paragraph (8)”.

19 (c) Section 215(a) of such Act is further amended by  
20 adding at the end thereof (after the new paragraph added by  
21 section 113 of this Act) the following new paragraph:

22 “(8) The ‘applicable percentages’ for purposes of clauses  
23 (i), (ii), and (iii) of paragraph (1)(A), and the ‘applicable per-  
24 centage’ for purposes of the first sentence of paragraph  
25 (7)(B), shall be determined as follows:

For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefits), in—	The 'applicable percentage'—			
	for purposes of clause (i) of paragraph (1)(A) is—	for purposes of clause (ii) of paragraph (1)(A) is—	for purposes of clause (iii) of paragraph (1)(A) is—	for purposes of the first sentence of paragraph (7)(B) is—
any year from 1979 through 1999	90.0	32.0	15.0	61.0
2000	89.4	31.8	14.9	60.6
2001	88.8	31.6	14.8	60.2
2002	88.2	31.4	14.7	59.8
2003	87.6	31.1	14.6	59.4
2004	87.0	30.9	14.5	59.0
2005	86.4	30.7	14.4	58.6
2006	85.8	30.5	14.3	58.2
2007 or thereafter	85.2	30.3	14.2	57.7."

# 1 ADJUSTMENTS IN OASDI TAX RATES

2 SEC. 202. (a) Section 3101(a) of the Internal Revenue  
3 Code of 1954 (relating to rate of tax on employees for old-  
4 age, survivors, and disability insurance), as amended by sec-  
5 tion 123(a)(1) of this Act, is further amended by striking out  
6 the last line of the table and inserting in lieu thereof the  
7 following:

"1990 through 2014 ..... 6.2 percent  
2015 or thereafter ..... 6.44 percent."

8 (b) Section 3111(a) of such Code (relating to rate of tax  
9 on employers for old-age, survivors, and disability insurance),  
10 as amended by section 123(a)(2) of this Act, is further  
11 amended by striking out the last line of the table and insert-  
12 ing in lieu thereof the following:

"1990 through 2014 .....	6.2 percent
2015 or thereafter .....	6.44 percent."

1 (c) Section 1401(a) of such Code (relating to rate of tax  
2 on self-employment income for old-age, survivors, and dis-  
3 ability insurance), as amended by section 124(a) of this Act),  
4 is further amended by striking out the last line of the table  
5 and inserting in lieu thereof the following:

"December 31, 1989	January 1, 2015.....	12.40
December 31, 2014.....		12.88."

6 (d) The amendments made by this section shall apply to  
7 remuneration paid, and taxable years beginning, after De-  
8 cember 31, 2014.

### 9 TITLE III—MISCELLANEOUS AND TECHNICAL 10 PROVISIONS

#### 11 PART A—CASH MANAGEMENT

##### 12 FLOAT PERIODS

13 SEC. 301. (a) The Secretary of Health and Human  
14 Services and the Secretary of the Treasury shall jointly un-  
15 dertake, as soon as possible after the date of the enactment of  
16 this Act, a thorough study with respect to the period of time  
17 (hereafter in this section referred to as the "float period")  
18 between the issuance of checks from the general fund of the  
19 Treasury in payment of monthly insurance benefits under  
20 title II of the Social Security Act and the transfer to the  
21 general fund from the Federal Old-Age and Survivors Insur-  
22 ance Trust Fund or the Federal Disability Insurance Trust  
23 Fund, as applicable, of the amounts necessary to compensate

1 the general fund for the issuance of such checks. Each such  
2 Secretary shall consult the other regularly during the course  
3 of the study and shall, as appropriate, provide the other with  
4 such information and assistance as he may require.

5 (b) The study shall include—

6 (1) an investigation of the feasibility and desirabil-  
7 ity of maintaining the float periods which are allowed  
8 as of the date of the enactment of this section in the  
9 procedures governing the payment of monthly insur-  
10 ance benefits under title II of the Social Security Act,  
11 and of the general feasibility and desirability of making  
12 adjustments in such procedures with respect to float  
13 periods; and

14 (2) a separate investigation of the feasibility and  
15 desirability of providing, as a specific form of adjust-  
16 ment in such procedures with respect to float periods,  
17 for the transfer each day to the general fund of the  
18 Treasury from the Federal Old-Age and Survivors In-  
19 surance Trust Fund and the Federal Disability Insur-  
20 ance Trust Fund, as appropriate, of amounts equal to  
21 the amounts of the checks referred to in subsection (a)  
22 which are paid by the Federal Reserve Banks on such  
23 day.

24 (c) In conducting the study required by subsection (a),  
25 the Secretaries shall consult, as appropriate, the Director of

1 the Office of Management and Budget, and the Director shall  
2 provide the Secretaries with such information and assistance  
3 as they may require. The Secretaries shall also solicit the  
4 views of other appropriate officials and organizations.

5 (d)(1) Not later than six months after the date of the  
6 enactment of this Act, the Secretaries shall submit to the  
7 President and the Congress a report of the findings of the  
8 investigation required by subsection (b)(1), and the Secretary  
9 of the Treasury shall by regulation make such adjustments in  
10 the procedures governing the payment of monthly insurance  
11 benefits under title II of the Social Security Act with respect  
12 to float periods (other than adjustments in the form described  
13 in subsection (b)(2)) as may have been found in such investi-  
14 gation to be necessary or appropriate.

15 (2) Not later than twelve months after the date of the  
16 enactment of this Act, the Secretaries shall submit to the  
17 President and the Congress a report of the findings of the  
18 separate investigation required by subsection (b)(2), together  
19 with their recommendations with respect thereto; and, to the  
20 extent necessary or appropriate to carry out such recommen-  
21 dations, the Secretary of the Treasury shall by regulation  
22 make adjustments in the procedures with respect to float pe-  
23 riods in the form described in such subsection.

24 SEC. 302. (a) Section 218(j) of the Social Security Act  
25 is amended—

1           (1) by inserting “(1)” after “(j)”,

2           (2) by striking out “the rate of 6 per centum per  
3       annum” and inserting in lieu thereof “the applicable  
4       rate determined in accordance with paragraph (2)”,  
5       and

6           (3) by adding at the end thereof the following new  
7       paragraph:

8       “(2) For purposes of paragraph (1), the rate of interest  
9       applicable to late payments outstanding during the six-month  
10      period beginning on January 1, 1984, shall be 9.0 percent  
11      per annum. The rate of interest applicable to late payments  
12      outstanding during the six-month period beginning on July 1,  
13      1984, and subsequent six-month periods beginning on Janu-  
14      ary 1 or July 1 thereafter, shall be determined by the Secre-  
15      tary of the Treasury not later than 15 days after the end of  
16      the base period described in the following sentence and shall  
17      be an annual rate equal to the average (rounded to the near-  
18      est full percent, or the next higher percent if it is a multiple  
19      of 0.5 percent but not of 1.0 percent) of the annual rates of  
20      interest applicable to the special obligations issued to the  
21      Trust Funds (in accordance with section 201(d)) in each  
22      month of such base period. The ‘base period’ for the rate  
23      effective on January 1 of a year is the six-month period  
24      ending on the immediately preceding September 30, and the  
25      base period for the rate effective on July 1 of a year is the

1 six-month period ending on the immediately preceding March  
2 31.”.

3 (b) The amendments made by this section shall apply  
4 with respect to payments made after December 31, 1983,  
5 under an agreement pursuant to section 218 of the Social  
6 Security Act.

7 TRUST FUND INVESTMENT PROCEDURES

8 SEC. 303. (a)(1) Section 201(d) of the Social Security  
9 Act is amended by striking out the second and third sen-  
10 tences and inserting in lieu thereof the following: “Such in-  
11 vestments may be made only in interest-bearing public-debt  
12 obligations of the United States which are issued exclusively  
13 for purchase by the Trust Funds under title 31 of the United  
14 States Code.”.

15 (2) The fifth sentence of such section 201(d) is amended  
16 to read as follows: “Such obligations shall be redeemable at  
17 par plus accrued interest at any time, and shall bear interest  
18 in any month (including the month of issue) at a rate equiva-  
19 lent to either (1) the average market yield (determined by the  
20 Managing Trustee on the basis of market quotations as of the  
21 end of each business day of the preceding month) on all mar-  
22 ketable interest-bearing obligations of the United States then  
23 forming a part of the public debt (other than ‘flower bonds’)  
24 which are not due or callable until after the expiration of 4  
25 years from the end of such preceding month, or (2) the aver-

1 age market yield (so determined) on all such obligations  
2 which are due or callable 4 years or less from the end of such  
3 preceding month, whichever average market yield (with re-  
4 spect to the month involved) is larger; except that where  
5 such equivalent interest rate is not a multiple of one-eighth of  
6 1 percent, the rate of interest on the obligations involved  
7 shall be the multiple of one-eighth of 1 percent nearest such  
8 equivalent rate.”.

9 (3) Section 201(d) of such Act is further amended by  
10 striking out the last sentence, and by inserting in lieu thereof  
11 the following: “For purposes of the preceding sentence, the  
12 term ‘flower bond’ means a United States Treasury bond  
13 which was issued before March 4, 1971, and which may, at  
14 the option of the duly constituted representative of the estate  
15 of a deceased individual, be redeemed in advance of maturity  
16 and at par (face) value plus accrued interest to the date of  
17 payment if (i) it was owned by such deceased individual at  
18 the time of his death, (ii) it is part of the estate of such de-  
19 ceased individual, and (iii) such representative authorizes the  
20 Secretary of the Treasury to apply the entire proceeds of the  
21 redemption of such bond to the payment of Federal estate  
22 taxes.”.

23 (b)(1) Section 1817(c) of such Act is amended by strik-  
24 ing out the second and third sentences and inserting in lieu  
25 thereof the following: “Such investments may be made only

1 in interest-bearing public-debt obligations of the United  
2 States which are issued exclusively for purchase by the Trust  
3 Funds under title 31 of the United States Code.”.

4       (2) The fifth sentence of such section 1817(c) is amend-  
5 ed to read as follows: “Such obligations shall be redeemable  
6 at par plus accrued interest at any time, and shall bear inter-  
7 est in any month (including the month of issue) at a rate  
8 equivalent to either (1) the average market yield (determined  
9 by the Managing Trustee on the basis of market quotations as  
10 of the end of each business day of the preceding month) on all  
11 marketable interest-bearing obligations of the United States  
12 then forming a part of the public debt (other than ‘flower  
13 bonds’) which are not due or callable until after the expira-  
14 tion of 4 years from the end of such preceding month, or (2)  
15 the average market yield (so determined) on all such obliga-  
16 tions which are due or callable 4 years or less from the end of  
17 such preceding month, whichever average market yield (with  
18 respect to the month involved) is larger; except that where  
19 such equivalent interest rate is not a multiple of one-eighth of  
20 1 percent, the rate of interest on the obligations involved  
21 shall be the multiple of one-eighth of 1 percent nearest such  
22 equivalent rate.”.

23       (3) Section 1817(c) of such Act is further amended by  
24 striking out the last sentence, and by inserting in lieu thereof  
25 the following: “For purposes of the preceding sentence, the

1 term 'flower bond' means a United States Treasury bond  
2 which was issued before March 4, 1971, and which may, at  
3 the option of the duly constituted representative of the estate  
4 of a deceased individual, be redeemed in advance of maturity  
5 and at par (face) value plus accrued interest to the date of  
6 payment if (i) it was owned by such deceased individual at  
7 the time of his death, (ii) it is part of the estate of such de-  
8 ceased individual, and (iii) such representative authorizes the  
9 Secretary of the Treasury to apply the entire proceeds of the  
10 redemption of such bond to the payment of Federal estate  
11 taxes.”.

12 (c)(1) Section 1841(c) of such Act is amended by striking  
13 out the second and third sentences and inserting in lieu there-  
14 of the following: “Such investments may be made only in  
15 interest-bearing public-debt obligations of the United States  
16 which are issued exclusively for purchase by the Trust Funds  
17 under title 31 of the United States Code.”.

18 (2) The fifth sentence of such section 1841(c) is amend-  
19 ed to read as follows: “Such obligations shall be redeemable  
20 at par plus accrued interest at any time, and shall bear inter-  
21 est in any month (including the month of issue) at a rate  
22 equivalent to either (1) the average market yield (determined  
23 by the Managing Trustee on the basis of market quotations as  
24 of the end of each business day of the preceding month) on all  
25 marketable interest-bearing obligations of the United States

1 then forming a part of the public debt (other than 'flower  
2 bonds') which are not due or callable until after the expira-  
3 tion of 4 years from the end of such preceding month, or (2)  
4 the average market yield (so determined) on all such obliga-  
5 tions which are due or callable 4 years or less from the end of  
6 such preceding month, whichever average market yield (with  
7 respect to the month involved) is larger; except that where  
8 such equivalent interest rate is not a multiple of one-eighth of  
9 1 percent, the rate of interest on the obligations involved  
10 shall be the multiple of one-eighth of 1 percent nearest such  
11 equivalent rate."

12 (3) Section 1841(c) of such Act is further amended by  
13 striking out the last sentence, and by inserting in lieu thereof  
14 the following: "For purposes of the preceding sentence, the  
15 term 'flower bond' means a United States Treasury bond  
16 which was issued before March 4, 1971, and which may, at  
17 the option of the duly constituted representative of the estate  
18 of a deceased individual, be redeemed in advance of maturity  
19 and at par (face) value plus accrued interest to the date of  
20 payment if (i) it was owned by such deceased individual at  
21 the time of his death, (ii) it is part of the estate of such de-  
22 ceased individual, and (iii) such representative authorizes the  
23 Secretary of the Treasury to apply the entire proceeds of the  
24 redemption of such bond to the payment of Federal estate  
25 taxes."

1 (d)(1) Not later than the date on which the amendments  
2 made by this section become effective under subsection (f),  
3 the Secretary of the Treasury shall—

4 (A) redeem at par plus accrued interest all out-  
5 standing obligations of the United States issued under  
6 the Second Liberty Bond Act or title 31 of the United  
7 States Code exclusively for purchase by (and then held  
8 by) the Federal Old-Age Insurance Trust Fund, the  
9 Federal Disability Insurance Trust Fund, the Federal  
10 Hospital Insurance Trust Fund, and the Federal Sup-  
11 plementary Medical Insurance Trust Fund (hereinafter  
12 in this subsection referred to as the “Trust Funds”);

13 (B) redeem at market rates all “flower bonds” (as  
14 defined in the last sentence of sections 201(d), 1817(c),  
15 and 1841(c) of the Social Security Act as amended by  
16 this section) then held by the Trust Funds; and

17 (C) reinvest the proceeds (from the redemptions  
18 required under subparagraphs (A) and (B)) in the  
19 manner provided in such sections 201(d), 1817(c), and  
20 1841(c) as amended by this section.

21 (2) Any other marketable obligations held by the Trust  
22 Funds at the time of the redemptions required by paragraph  
23 (1) shall continue to be so held until their maturity except to  
24 the extent it is necessary to redeem or sell them before matu-

1 rity (at the market price) in order to meet the benefit obliga-  
2 tions of the Trust Fund or Funds involved.

3 (3) Sections 201(e), 1817(d), and 1841(d) of the Social  
4 Security Act are repealed.

5 (e)(1) The next to last sentence of section 201(c) of such  
6 Act is amended by striking out "Such report shall also in-  
7 clude" and inserting in lieu thereof the following: "Such  
8 report shall include an actuarial opinion by the Chief Actuary  
9 of the Social Security Administration certifying that the tech-  
10 niques and methodologies used are generally accepted within  
11 the actuarial profession and that the assumptions and cost  
12 estimates used are reasonable, and shall also include".

13 (2) Section 1817(b) of such Act is amended by inserting  
14 immediately before the last sentence the following new sen-  
15 tence: "Such report shall also include an actuarial opinion by  
16 the Chief Acturial Officer of the Health Care Financing Ad-  
17 ministration certifying that the techniques and methodologies  
18 used are generally accepted within the actuarial profession  
19 and that the assumptions and cost estimates used are reason-  
20 able.".

21 (3) Section 1841(b) of such Act is amended by inserting  
22 immediately before the last sentence the following new sen-  
23 tence: "Such report shall also include an actuarial opinion by  
24 the Chief Actuarial Officer of the Health Care Financing Ad-  
25 ministration certifying that the techniques and methodologies

1 used are generally accepted within the actuarial profession  
2 and that the assumptions and cost estimates used are reason-  
3 able.”.

4 (4) Notwithstanding sections 201(c)(2), 1817(b)(2), and  
5 1841(b)(2) of the Social Security Act, the annual reports of  
6 the Boards of Trustees of the Trust Funds which are required  
7 in the calendar year 1983 under those sections may be filed  
8 at any time not later than forty-five days after the date of the  
9 enactment of this Act.

10 (5) The amendments made by this subsection shall take  
11 effect on the date of the enactment of this Act.

12 (f) Except as otherwise provided, the amendments made  
13 by this section shall take effect on the first day of the first  
14 month which begins more than thirty days after the date of  
15 the enactment of this Act.

16 **BUDGETARY TREATMENT OF TRUST FUND OPERATIONS**

17 **SEC. 304.** (a)(1) Title VII of the Social Security Act (as  
18 amended by section 143 of this Act) is further amended by  
19 adding at the end thereof the following new section:

20 **“BUDGETARY TREATMENT OF TRUST FUND OPERATIONS**

21 **“SEC. 710.** The disbursements of the Federal Old-Age  
22 and Survivors Insurance Trust Fund, the Federal Disability  
23 Insurance Trust Fund, the Federal Hospital Insurance Trust  
24 Fund, and the Federal Supplementary Medical Insurance  
25 Trust Fund shall be treated as a separate major functional

1 category in the budget of the United States Government as  
2 submitted by the President and in the congressional budget,  
3 and the receipts of such Trust Funds, including the taxes  
4 imposed under sections 1401, 3101, and 3111 of the Internal  
5 Revenue Code of 1954, shall be set forth separately in such  
6 budget.”.

7 (2)(A) The amendment made by paragraph (1) shall  
8 apply with respect to fiscal years beginning on or after Octo-  
9 ber 1, 1984, and ending on or before September 30, 1988,  
10 except that such amendment shall apply with respect to the  
11 fiscal year beginning on October 1, 1983, to the extent it  
12 relates to the congressional budget.

13 (b) Effective for fiscal years beginning on or after Octo-  
14 ber 1, 1988, section 710 of such Act (as added by subsection  
15 (a) of this section) is amended to read as follows:

16 “BUDGETARY TREATMENT OF TRUST FUND OPERATIONS

17 “SEC. 710. (a) The receipts and disbursement of the  
18 Federal Old-Age and Survivors Insurance Trust Fund, the  
19 Federal Disability Insurance Trust Fund, and the Federal  
20 Hospital Insurance Trust Fund and the taxes imposed under  
21 sections 1401, 3101, and 3111 of the Internal Revenue Code  
22 of 1954 shall not be included in the totals of the budget of the  
23 United States Government as submitted by the President or  
24 of the congressional budget and shall be exempt from any  
25 general budget limitation imposed by statute on expenditures

1 and net lending (budget outlays) of the United States Govern-  
2 ment.

3 “(b) The disbursements of the Federal Supplementary  
4 Medical Insurance Trust Fund shall be treated as a separate  
5 major functional category in the budget of the United States  
6 Government as submitted by the President and in the con-  
7 gressional budget, and the receipts of such Trust Fund shall  
8 be set forth separately in such budgets.”.

9 PART B—ELIMINATION OF GENDER-BASED  
10 DISTINCTIONS

11 DIVORCED HUSBANDS

12 SEC. 311. (a)(1) Section 202(c)(1) of the Social Security  
13 Act is amended, in the matter preceding subparagraph (A),  
14 by inserting “and every divorced husband (as defined in sec-  
15 tion 216(d))” before “of an individual” and by inserting “or  
16 such divorced husband” after “if such husband”.

17 (2) Section 202(c)(1) of such Act is further amended—

18 (A) by striking out “and” at the end of subpara-  
19 graph (B);

20 (B) by redesignating subparagraph (C) as subpara-  
21 graph (D), and by inserting after subparagraph (B) the  
22 following new subparagraph:

23 “(C) in the case of a divorced husband, is not  
24 married, and”; and

1           (C) by striking out the matter following subpara-  
2           graph (D) (as so redesignated) and inserting in lieu  
3           thereof the following:

4   “shall be entitled to a husband’s insurance benefit for each  
5   month, beginning with—

6           “(i) in the case of a husband or divorced husband  
7           (as so defined) of an individual who is entitled to an  
8           old-age insurance benefit, if such husband or divorced  
9           husband has attained age 65, the first month in which  
10          he meets the criteria specified in subparagraphs (A),  
11          (B), (C), and (D), or

12          “(ii) in the case of a husband or divorced husband  
13          (as so defined) of—

14                  “(I) an individual entitled to old-age insur-  
15                  ance benefits, if such husband or divorced husband  
16                  has not attained age 65, or

17                  “(II) an individual entitled to disability insur-  
18                  ance benefits,

19          the first month throughout which he is such a husband  
20          or divorced husband and meets the criteria specified in  
21          subparagraphs (B), (C), and (D) (if in such month he  
22          meets the criterion specified in subparagraph (A)),

23   whichever is earlier, and ending with the month preceding  
24   the month to which any of the following occurs:

25                  “(E) he dies,

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1           “(F) such individual dies,

2           “(G) in the case of a husband, they are divorced  
3           and either (i) he has not attained age 62, or (ii) he has  
4           attained age 62 but has not been married to such indi-  
5           vidual for a period of 10 years immediately before the  
6           divorce became effective,

7           “(H) in the case of a divorced husband, he mar-  
8           ries a person other than such individual,

9           “(I) he becomes entitled to an old-age or disability  
10          insurance benefit based on a primary insurance amount  
11          which is equal to or exceeds one-half of the primary  
12          insurance amount of such individual, or

13          “(J) such individual is not entitled to disability in-  
14          surance benefits and is not entitled to old-age insur-  
15          ance benefits.”.

16          (3) Section 202(c)(3) of such Act is amended by insert-  
17          ing “(or, in the case of a divorced husband, his former wife)”  
18          before “for such month”.

19          (4) Section 202(c) of such Act is further amended by  
20          adding after paragraph (3) the following new paragraph:

21          “(4) In the case of any divorced husband who marries—

22                  “(A) an individual entitled to benefits under sub-  
23          section (b), (e), (g), or (h) of this section, or

1           “(B) an individual who has attained the age of 18  
2       and is entitled to benefits under subsection (d), by  
3       reason of paragraph (1)(B)(ii) thereof,  
4   such divorced husband’s entitlement to benefits under this  
5   subsection, notwithstanding the provisions of paragraph (1)  
6   (but subject to subsection (s)), shall not be terminated by  
7   reason of such marriage.”.

8       (5) Section 202(c) of such Act is further amended by  
9   adding after paragraph (4) (as added by paragraph (4) of this  
10   subsection) the following new paragraph:

11       “(5)(A) Notwithstanding the preceding provisions of this  
12   subsection, except as provided in subparagraph (B), the di-  
13   vorced husband of an individual who is not entitled to old-age  
14   or disability insurance benefits, but who has attained age 62  
15   and is a fully insured individual (as defined in section 214), if  
16   such divorced husband—

17           “(i) meets the requirements of subparagraphs (A)  
18       through (D) of paragraph (1), and

19           “(ii) has been divorced from such insured individu-  
20       al for not less than 2 years,

21   shall be entitled to a husband’s insurance benefit under this  
22   subsection for each month, in such amount, and beginning  
23   and ending with such months, as determined (under regula-  
24   tions of the Secretary) in the manner otherwise provided for  
25   husband’s insurance benefits under this subsection, as if such

1 insured individual had become entitled to old-age insurance  
2 benefits on the date on which the divorced husband first  
3 meets the criteria for entitlement set forth in classes (i) and  
4 (ii).

5       “(B) A husband’s insurance benefit provided under this  
6 paragraph which has not otherwise terminated in accordance  
7 with subparagraph (E), (F), (H), or (I) of paragraph (1) shall  
8 terminate with the month preceding the first month in which  
9 the insured individual is no longer a fully insured individu-  
10 al.”.

11       (6) Section 202(c)(2)(A) of such Act is amended by in-  
12 serting “(or divorced husband)” after “payable to such hus-  
13 band”.

14       (7) Section 202(b)(3)(A) of such Act is amended by strik-  
15 ing out “(f)” and inserting in lieu thereof “(c), (f),”.

16       (8) Section 202(c)(1)(D) of such Act (as redesignated by  
17 paragraph (2) of this subsection) is amended by striking out  
18 “his wife” and inserting in lieu thereof “such individual”.

19       (9) Section 202(d)(5)(A) of such Act is amended by in-  
20 serting “(c),” after “(b),”.

21       (b)(1) Section 202(f)(1) of such Act is amended, in the  
22 matter preceding subparagraph (A), by inserting “and every  
23 surviving divorced husband (as defined in section 216(d))”  
24 before “of an individual” and by inserting “or such surviving  
25 divorced husband” after “if such widower”.

1       (2) Section 202(f)(1) of such Act is further amended by  
2 striking out “his deceased wife” in subparagraph (D) and in  
3 the matter following subparagraph (F) and inserting in lieu  
4 thereof “such deceased individual”.

5       (3) Section 202(f)(3)(B)(ii)(II) of such Act (as amended  
6 by section 133(b)(1)(B) of this Act) is amended by inserting  
7 “or surviving divorced husband” after “widower”.

8       (4) Paragraph (3)(D) of section 202(f) of such Act (as  
9 redesignated by section 133(b)(1)(A) of this Act), and para-  
10 graphs (4), (5), and (6) of such section (as redesignated by  
11 section 131(b)(3)(A) of this Act), are each amended by insert-  
12 ing “or surviving divorced husband” after “widower” wher-  
13 ever it appears.

14       (5) Paragraph (3)(D) of section 202(f) of such Act (as  
15 redesignated by section 133(b)(1)(A) of this Act) is further  
16 amended by striking out “wife” wherever it appears and in-  
17 serting in lieu thereof “individual”.

18       (6) Section 202(g)(3)(A) of such Act is amended by in-  
19 serting “(c),” before “(f),”.

20       (7) Section 202(h)(4)(A) of such Act is amended by in-  
21 serting “(c),” before “(e),”.

22       (c)(1) Section 216(d) of such Act is amended by redес-  
23 ignating paragraph (4) as paragraph (6), and by inserting  
24 after paragraph (3) the following new paragraphs:

1       “(4) The term ‘divorced husband’ means a man divorced  
2 from an individual, but only if he had been married to such  
3 individual for a period of 10 years immediately before the  
4 date the divorce became effective.

5       “(5) The term ‘surviving divorced husband’ means a  
6 man divorced from an individual who has died, but only if he  
7 had been married to the individual for a period of 10 years  
8 immediately before the divorce became effective.”.

9       (2) The heading of section 216(d) of such Act is amend-  
10 ed to read as follows:

11                   “DIVORCED SPOUSES; DIVORCE”.

12       (d)(1) Section 205(b) of such Act is amended by insert-  
13 ing “divorced husband,” after “husband,” and by inserting  
14 “surviving divorced husband,” after “widower,”.

15       (2) Section 205(c)(1)(C) of such Act is amended by in-  
16 serting “surviving divorced husband,” after “wife,”.

17       REMARRIAGE OF SURVIVING SPOUSE BEFORE AGE OF  
18                   ELIGIBILITY

19       SEC. 312. Section 202(f)(1)(A) of the Social Security  
20 Act is amended by striking out “has not remarried” and in-  
21 serting in lieu thereof “is not married”.

22                   ILLEGITIMATE CHILDREN

23       SEC. 313. (a) Section 216(h)(3) of the Social Security  
24 Act is amended by inserting “mother or” before “father”  
25 wherever it appears.

1 (b) Section 216(h)(3)(A)(ii) of such Act is amended by  
2 striking out all that follows “time” and inserting in lieu  
3 thereof “such applicant’s application for benefits was filed;”.

4 (c) Section 216(h)(3)(B)(ii) of such Act is amended by  
5 striking out “such period of disability began” and inserting in  
6 lieu thereof “such applicant’s application for benefits was  
7 filed”.

8 (d) Section 216(h)(3) of such Act is further amended—

9 (1) by striking out “his” wherever it appears and  
10 inserting in lieu thereof “his or her”; and

11 (2) by striking out “he” in subparagraph (B) and  
12 inserting in lieu thereof “he or she”.

13 TRANSITIONAL INSURED STATUS

14 SEC. 314. (a) Section 227(a) of the Social Security Act  
15 is amended—

16 (1) by striking out “wife” wherever it appears and  
17 inserting in lieu thereof “spouse”;

18 (2) by striking out “wife’s” wherever it appears  
19 and inserting in lieu thereof “spouse’s”;

20 (3) by striking out “she” wherever it appears and  
21 inserting in lieu thereof “he or she”;

22 (4) by striking out “his” and inserting in lieu  
23 thereof “the”; and

24 (5) by inserting “or section 202(c)” after “section  
25 202(b)” wherever it appears.

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1 (b) Section 227(b) and section 227(c) of such Act are  
2 amended—

3 (1) by striking out “widow” wherever it appears  
4 and inserting in lieu thereof “surviving spouse”;

5 (2) by striking out “widow’s” wherever it appears  
6 and inserting in lieu thereof “surviving spouse’s”;

7 (3) by striking out “her” wherever it appears and  
8 inserting in lieu thereof “the”; and

9 (4) by inserting “or section 202(f)” after “section  
10 202(e)” wherever it appears.

11 (c) Section 216 of such Act is amended by inserting  
12 before subsection (b) the following new subsection:

13 “Spouse; Surviving Spouse

14 “(a)(1) The term ‘spouse’ means a wife as defined in  
15 subsection (b) or a husband as defined in subsection (f).

16 “(2) The term ‘surviving spouse’ means a widow as de-  
17 fined in subsection (c) or a widower as defined in subsection  
18 (g).”.

19 EQUALIZATION OF BENEFITS UNDER SECTION 228

20 SEC. 315. (a) Section 228(b) of the Social Security Act  
21 is amended—

22 (1) by striking out “(1) Except as provided in  
23 paragraph (2), the” and inserting in lieu thereof  
24 “The”; and

25 (2) by striking out paragraph (2).

1       (b) Section 228(c)(2) of such Act is amended by striking  
2 out “(B) the larger of” and all that follows and inserting in  
3 lieu thereof “(B) the benefit amount as determined without  
4 regard to this subsection.”.

5       (c) Section 228(c)(3) of such Act is amended to read as  
6 follows:

7       “(3) In the case of a husband or wife both of whom are  
8 entitled to benefits under this section for any month, the  
9 benefit amount of each spouse, after any reduction under  
10 paragraph (1), shall be further reduced (but not below zero)  
11 by the excess (if any) of (A) the total amount of any periodic  
12 benefits under governmental pension systems for which the  
13 other spouse is eligible for such month, over (B) the benefit  
14 amount of such other spouse as determined after any reduc-  
15 tion under paragraph (1).”.

16       (d) Section 228 of such Act is further amended—

17           (1) by striking out “he” wherever it appears in  
18 subsections (a) and (c)(1) and inserting in lieu thereof  
19 “he or she”; and

20           (2) by striking out “his” in subsection (c)(4)(C)  
21 and inserting in lieu thereof “his or her”.

22       (e) The Secretary shall increase the amounts specified in  
23 section 228 of the Social Security Act, as amended by this  
24 section, to take into account any general benefit increases (as  
25 referred to in section 215(i)(3) of such Act), and any increases

1 under section 215(i) of such Act, which have occurred after  
2 June 1974 or may hereafter occur.

3 FATHER'S INSURANCE BENEFITS

4 SEC. 316. (a) Section 202(g) of the Social Security Act  
5 is amended—

6 (1) by striking out “widow” wherever it appears  
7 and inserting in lieu thereof “surviving spouse”;

8 (2) by striking out “widow's” wherever it appears  
9 and inserting in lieu thereof “surviving spouse's”;

10 (3) by striking out “wife's insurance benefits” and  
11 “he” in paragraph (1)(D) and inserting in lieu thereof  
12 “a spouse's insurance benefit” and “such individual”,  
13 respectively;

14 (4) by striking out “her” wherever it appears and  
15 inserting in lieu thereof “his or her”;

16 (5) by striking out “she” wherever it appears and  
17 inserting in lieu thereof “he or she”;

18 (6) by striking out “mother” wherever it appears  
19 and inserting in lieu thereof “parent”;

20 (7) by inserting “or father's” after “mother's”  
21 wherever it appears;

22 (8) by striking out “after August 1950”; and

23 (9) in paragraph (3)(A) (as amended by section  
24 311(b)(7) of this Act)—

1 (A) by inserting “this subsection or” before  
2 “subsection (a)” ; and

3 (B) by striking out “(c),” and inserting in  
4 lieu thereof “(b), (c), (e),”.

5 (b) The heading of section 202(g) of such Act is amend-  
6 ed by inserting “and Father’s” after “Mother’s”.

7 (c) Section 216(d) of such Act (as amended by section  
8 311(c)(1) of this Act) is further amended by redesignating  
9 paragraph (6) as paragraph (8) and by inserting after para-  
10 graph (5) the following new paragraphs:

11 “(6) The term ‘surviving divorced father’ means a man  
12 divorced from an individual who has died, but only if (A) he is  
13 the father of her son or daughter, (B) he legally adopted her  
14 son or daughter while he was married to her and while such  
15 son or daughter was under the age of 18, (C) she legally  
16 adopted his son or daughter while he was married to her and  
17 while such son or daughter was under the age of 18, or (D)  
18 he was married to her at the time both of them legally adopt-  
19 ed a child under the age of 18.

20 “(7) The term ‘surviving divorced parent’ means a sur-  
21 viving divorced mother as defined in paragraph (3) of this  
22 subsection or a surviving divorced father as defined in para-  
23 graph (6).”.

24 (d) Section 202(c)(1) of such Act (as amended by section  
25 311(a) of this Act) is further amended by inserting “(subject

1 to subsection (s))” before “be entitled to” in the matter fol-  
2 lowing subparagraph (D) and preceding subparagraph (E).

3 (e) Section 202(c)(1)(B) of such Act is amended by in-  
4 serting after “62” the following: “or (in the case of a hus-  
5 band) has in his care (individually or jointly with such individ-  
6 ual) at the time of filing such application a child entitled to  
7 child’s insurance benefits on the basis of the wages and self-  
8 employment income of such individual”.

9 (f) Section 202(c)(1) of such Act (as amended by section  
10 311(a) of this Act and the preceding provisions of this sec-  
11 tion) is further amended by redesignating the new subpara-  
12 graphs (I) and (J) as subparagraphs (J) and (K), respectively,  
13 and by inserting after subparagraph (H) the following new  
14 subparagraph:

15 “(I) in the case of a husband who has not attained  
16 age 62, no child of such individual is entitled to a  
17 child’s insurance benefit,”.

18 (g) Section 202(f)(1)(C) of such Act is amended by in-  
19 serting “(i)” after “(C)”, by inserting “or” after “223.”, and  
20 by adding at the end thereof the following new clause:

21 “(ii) was entitled, on the basis of such wages and  
22 self-employment income, to father’s insurance benefits  
23 for the month preceding the month in which he at-  
24 tained age 65, and”.

1       (h) Section 202(f)(5) of such Act (as redesignated by sec-  
 2       tion 131(b)(3)(A) of this Act) is amended by striking out “or”  
 3       at the end of subparagraph (A), by redesignating subpara-  
 4       graph (B) as subparagraph (C), and by inserting immediately  
 5       after subparagraph (A) the following new subparagraph:

6               “(B) the last month for which he was entitled to  
 7       father’s insurance benefits on the basis of the wages  
 8       and self-employment income of such individual, or”.

9       (i) Section 203(f)(1)(F) of such Act is amended by strik-  
 10      ing out “section 202(b) (but only by reason of having a child  
 11      in her care within the meaning of paragraph (1)(B) of that  
 12      subsection)” and inserting in lieu thereof “section 202(b) or  
 13      (c) (but only by reason of having a child in his or her care  
 14      within the meaning of paragraph (1)(B) of subsection (b) or  
 15      (c), as may be applicable)”.

16   **EFFECT OF MARRIAGE ON CHILDHOOD DISABILITY BENE-**  
 17       **FITS AND ON OTHER DEPENDENTS’ OR SURVIVORS’**  
 18       **BENEFITS**

19       SEC. 317. (a) Subsections (b)(3), (d)(5), (g)(3), and (h)(4)  
 20      of section 202 of the Social Security Act (as amended by the  
 21      preceding provisions of this Act) are each amended by strik-  
 22      ing out “; except that” and all that follows and inserting in  
 23      lieu thereof a period.

24       (b) The amendments made by subsection (a) shall apply  
 25      with respect to benefits under title II of the Social Security

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1 Act for months after the month in which this Act is enacted,  
2 but only in cases in which the "last month" referred to in the  
3 provision amended is a month after the month in which this  
4 Act is enacted.

5 CREDIT FOR CERTAIN MILITARY SERVICE

6 SEC. 318. Section 217(f) of the Social Security Act is  
7 amended—

8 (1) by striking out "widow" each place it appears  
9 and inserting in lieu thereof "surviving spouse"; and

10 (2) by striking out "his" and "her" wherever they  
11 appear (except in clause (A) of paragraph (1)) and in-  
12 serting in lieu thereof in each instance "his or her".

13 CONFORMING AMENDMENTS

14 SEC. 319. (a) Section 202(b)(3)(A) of the Social Security  
15 Act (as amended by section 311(a)(6) of this Act) is further  
16 amended by inserting "(g)," after "(f),".

17 (b) Section 202(q)(3) of such Act is amended by insert-  
18 ing "or surviving divorced husband" after "widower" in sub-  
19 paragraphs (E), (F), and (G).

20 (c) Section 202(q)(5) of such Act is amended—

21 (1) by inserting "or husband's" after "wife's"  
22 wherever it appears;

23 (2) by striking out "her" in subparagraph (A)(i)  
24 and inserting in lieu thereof "him or her";

1           (3) by striking out “her” the second place it ap-  
2           pears in subparagraph (A)(ii) and inserting in lieu  
3           thereof “the”;

4           (4) by striking out “she” wherever it appears and  
5           inserting in lieu thereof “he or she”;

6           (5) by striking out “her” wherever it appears  
7           (except where paragraphs (2) and (3) of this subsection  
8           apply) and inserting in lieu thereof “his or her”;

9           (6) by striking out “the woman” in subparagraph  
10          (B)(ii) and “a woman” in subparagraph (C) and insert-  
11          ing in lieu thereof “the individual” and “an individu-  
12          al”, respectively; and

13          (7) in subparagraph (D)—

14               (A) by inserting “or widower’s” after  
15               “widow’s”;

16               (B) by striking out “husband” wherever it  
17               appears and inserting in lieu thereof “spouse”;

18               (C) by striking out “husband’s” wherever it  
19               appears and inserting in lieu thereof “spouse’s”;  
20               and

21               (D) by inserting “or father’s” after “moth-  
22               er’s”.

23          (d)(1) Section 202(q)(6)(A) of such Act (as amended by  
24          section 134(a)(2) of this Act) is further amended by striking

1 out “or husband’s” in clause (i) and by inserting “or hus-  
2 band’s” after “wife’s” in clause (ii).

3 (2) Section 202(q)(7) of such Act is amended—

4 (A) in subparagraph (B), by inserting “or hus-  
5 band’s” after “wife’s”, by striking out “she” and in-  
6 serting in lieu thereof “such individual”, and by insert-  
7 ing “his or” before “her”, and

8 (B) in subparagraph (D), by inserting “or widow-  
9 er’s” after “widow’s”.

10 (e)(1) Section 202(s)(1) of such Act is amended by in-  
11 serting “(c)(1),” after “(b)(1),”.

12 (2) Section 202(s)(2) of such Act (as amended by section  
13 131(e)(1) of this Act) is further amended by inserting “(c)(4),”  
14 after “(b)(3),”.

15 (3) Section 202(s)(3) of such Act (as amended by section  
16 131(c)(2) of this Act) is further amended by striking out “So  
17 much” and all that follows down through “the last sentence”  
18 and inserting in lieu thereof “The last sentence”.

19 (f) The third sentence of section 203(b)(1) of such Act  
20 (as amended by section 132(b) of this Act) is further amended  
21 by inserting “or father’s” after “mother’s”.

22 (g) Section 203(c) of such Act is amended to read as  
23 follows:

1    “Deductions on Account of Noncovered Work Outside the  
2       United States or Failure to Have Child in Care

3       “(c) Deductions, in such amounts and at such time or  
4 times as the Secretary shall determine, shall be made from  
5 any payment or payments under this title to which an indi-  
6 vidual is entitled, until the total of such deductions equals  
7 such individual’s benefits or benefit under section 202 for any  
8 month—

9       “(1) in which such individual is under the age of  
10       seventy and for more than forty-five hours of which  
11       such individual engaged in noncovered remunerative  
12       activity outside the United States;

13       “(2) in which such individual, if a wife or husband  
14       under age sixty-five entitled to a wife’s or husband’s  
15       insurance benefit, did not have in his or her care (indi-  
16       vidually or jointly with his or her spouse) a child of  
17       such spouse entitled to a child’s insurance benefit and  
18       such wife’s or husband’s insurance benefit for such  
19       month was not reduced under the provisions of section  
20       202(q);

21       “(3) in which such individual, if a widow or wid-  
22       ower entitled to a mother’s or father’s insurance bene-  
23       fit, did not have in his or her care a child of his or her  
24       deceased spouse entitled to a child’s insurance benefit;  
25       or

1           “(4) in which such an individual, if a surviving di-  
2       vorced mother or father entitled to a mother’s or fa-  
3       ther’s insurance benefit, did not have in his or her care  
4       a child of his or her deceased former spouse who (A) is  
5       his or her son, daughter, or legally adopted child and  
6       (B) is entitled to a child’s insurance benefit on the basis  
7       of the wages and self-employment income of such de-  
8       ceased former spouse.

9   For purposes of paragraphs (2), (3), and (4) of this subsection,  
10 a child shall not be considered to be entitled to a child’s in-  
11 surance benefit for any month in which paragraph (1) of sec-  
12 tion 202(s) applies or an event specified in section 222(b)  
13 occurs with respect to such child. Subject to paragraph (3) of  
14 such section 202(s), no deduction shall be made under this  
15 subsection from any child’s insurance benefit for the month in  
16 which the child entitled to such benefit attained the age of  
17 eighteen or any subsequent month; nor shall any deduction be  
18 made under this subsection from any widow’s insurance bene-  
19 fit for any month in which the widow or surviving divorced  
20 wife is entitled and has not attained age 65 (but only if she  
21 became so entitled prior to attaining age 60), or from any  
22 widower’s insurance benefit for any month in which the wid-  
23 ower or surviving divorced husband is entitled and has not  
24 attained age 65 (but only if he became so entitled prior to  
25 attaining age 60).”.

1 (h) Section 203(d) of such Act is amended by inserting  
2 “divorced husband,” after “husband,” in paragraph (1)(A) (as  
3 amended by section 132(b)(2) of this Act) and by inserting  
4 “or father’s” after “mother’s” each place it appears in para-  
5 graph (2).

6 (i)(1) Section 205(b) of such Act (as amended by section  
7 311(d)(1) of this Act) is further amended by inserting “surviv-  
8 ing divorced father,” after “surviving divorced mother,”.

9 (2) Section 205(c)(1)(C) of such Act (as amended by sec-  
10 tion 311(d)(2) of this Act) is further amended by inserting  
11 “surviving divorced father,” after “surviving divorced  
12 mother,”.

13 (j) Section 216(f)(3)(A) of such Act is amended by insert-  
14 ing “(c),” before “(f),”

15 (k) Section 216(g)(6)(A) of such Act is amended by in-  
16 serting “(c),” before “(f)”.

17 (l) Section 222(b)(1) of such Act is amended by striking  
18 out “or surviving divorced wife” and inserting in lieu thereof  
19 “, surviving divorced wife, or surviving divorced husband”.

20 (m) Section 222(b)(2) of such Act is amended by insert-  
21 ing “or father’s” after “mother’s” wherever it appears.

22 (n) Section 222(b)(3) of such Act is amended by insert-  
23 ing “divorced husband,” after “husband,”.

1 (o) Section 223(d)(2) of such Act is amended by striking  
2 out "or widower" in subparagraphs (A) and (B) and inserting  
3 in lieu thereof "widower, or surviving divorced husband".

4 (p) Section 225(a) of such Act is amended by inserting  
5 "or surviving divorced husband" after "widower".

6 (q)(1) Section 226(e)(3) of such Act is amended to read  
7 as follows:

8 "(3) For purposes of determining entitlement to hospital  
9 insurance benefits under subsection (b), any disabled widow  
10 aged 50 or older who is entitled to mother's insurance bene-  
11 fits (and who would have been entitled to widow's insurance  
12 benefits by reason of disability if she had filed for such  
13 widow's benefits), and any disabled widower aged 50 or older  
14 who is entitled to father's insurance benefits (and who would  
15 have been entitled to widower's insurance benefits by reason  
16 of disability if he had filed for such widower's benefits), shall,  
17 upon application for such hospital insurance benefits be  
18 deemed to have filed for such widow's or widower's insur-  
19 ance benefits."

20 (2) For purposes of determining entitlement to hospital  
21 insurance benefits under section 226(e)(3) of such Act, as  
22 amended by paragraph (1), an individual becoming entitled to  
23 such hospital insurance benefits as a result of the amendment  
24 made by such paragraph shall, upon furnishing proof of his or  
25 her disability within twelve months after the month in which

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1 this Act is enacted, under such procedures as the Secretary  
2 of Health and Human Services may prescribe, be deemed to  
3 have been entitled to the widow's or widower's benefits re-  
4 ferred to in such section 226(e)(3), as so amended, as of the  
5 time such individual would have been entitled to such  
6 widow's or widower's benefits if he or she had filed a timely  
7 application therefor.

8 EFFECTIVE DATE OF PART B

9 SEC. 320. (a) Except as otherwise specifically provided  
10 in this title, the amendments made by this part apply only  
11 with respect to monthly benefits payable under title II of the  
12 Social Security Act for months after the month in which this  
13 Act is enacted.

14 (b) Nothing in any amendment made by this part shall  
15 be construed as affecting the validity of any benefit which  
16 was paid, prior to the effective date of such amendment, as a  
17 result of a judicial determination.

18 PART C—COVERAGE

19 COVERAGE OF EMPLOYEES OF FOREIGN AFFILIATES OF  
20 AMERICAN EMPLOYERS

21 SEC. 321. (a)(1) So much of subsection (l) of section  
22 3121 of the Internal Revenue Code of 1954 (relating to  
23 agreements entered into by domestic corporations with re-  
24 spect to foreign subsidiaries) as precedes the second sentence  
25 of paragraph (1) thereof is amended to read as follows:

1       “(l) AGREEMENTS ENTERED INTO BY AMERICAN EM-  
2   PLOYERS WITH RESPECT TO FOREIGN AFFILIATES.—

3               “(1) AGREEMENT WITH RESPECT TO CERTAIN  
4   EMPLOYEES OF FOREIGN AFFILIATE.—The Secretary  
5   shall, at the American employer’s request, enter into  
6   an agreement (in such manner and form as may be  
7   prescribed by the Secretary) with any American em-  
8   ployer (as defined in subsection (h)) who desires to  
9   have the insurance system established by title II of the  
10   Social Security Act extended to service performed out-  
11   side the United States in the employ of any 1 or more  
12   of such employer’s foreign affiliates (as defined in para-  
13   graph (8)) by all employees who are citizens or resi-  
14   dents of the United States, except that the agreement  
15   shall not apply to any service performed by, or remun-  
16   eration paid to, an employee if such service or remun-  
17   eration would be excluded from the term ‘employ-  
18   ment’ or ‘wages’, as defined in this section, had the  
19   service been performed in the United States.”

20       (2) Paragraph (8) of section 3121(l) of such Code (defin-  
21   ing foreign subsidiary) is amended to read as follows:

22               “(8) FOREIGN AFFILIATE DEFINED.—For pur-  
23   poses of this subsection and section 210(a) of the Social  
24   Security Act—

1           “(A) IN GENERAL.—A foreign affiliate of an  
2           American employer is any foreign entity in which  
3           such American employer has not less than a 10-  
4           percent interest.

5           “(B) DETERMINATION OF 10-PERCENT IN-  
6           TEREST.—For purposes of subparagraph (A), an  
7           American employer has a 10-percent interest in  
8           any entity if such employer has such an interest  
9           directly (or through one or more entities)—

10           “(i) in the case of a corporation, in the  
11           voting stock thereof, and

12           “(ii) in the case of any other entity, in  
13           the profits thereof.”

14       (b) The clause (B) of section 210(a) of the Social Secu-  
15       rity Act (defining employment) which precedes paragraph (1)  
16       thereof (as amended by section 323(a)(2) of this Act) is fur-  
17       ther amended to read as follows: “(B) outside the United  
18       States by a citizen or resident of the United States as an  
19       employee (i) of an American employer (as defined in subsec-  
20       tion (e) of this section), or (ii) of a foreign affiliate (as defined  
21       in section 3121(l)(8) of the Internal Revenue Code of 1954)  
22       of an American employer during any period for which there is  
23       in effect an agreement, entered into pursuant to section  
24       3121(l) of such Code, with respect to such affiliate;”.

1       (c) Subsection (a) of section 406 of the Internal Revenue  
2 Code of 1954 (relating to treatment of certain employees of  
3 foreign subsidiaries for pension, etc., purposes) is amended to  
4 read as follows:

5       “(a) TREATMENT AS EMPLOYEES OF AMERICAN EM-  
6 PLOYER.—For purposes of applying this part with respect to  
7 a pension, profit-sharing, or stock bonus plan described in  
8 section 401(a), an annuity plan described in section 403(a), or  
9 a bond purchase plan described in section 405(a), of an  
10 American employer (as defined in section 3121(h)), an indi-  
11 vidual who is a citizen or resident of the United States and  
12 who is an employee of a foreign affiliate (as defined in section  
13 3121(l)(8)) of such American employer shall be treated as an  
14 employee of such American employer, if—

15           “(1) such American employer has entered into an  
16 agreement under section 3121(l) which applies to the  
17 foreign affiliate of which such individual is an employ-  
18 ee;

19           “(2) the plan of such American employer express-  
20 ly provides for contributions or benefits for individuals  
21 who are citizens or residents of the United States and  
22 who are employees of its foreign affiliates to which an  
23 agreement entered into by such American employer  
24 under section 3121(l) applies; and

1           “(3) contributions under a funded plan of deferred  
2           compensation (whether or not a plan described in sec-  
3           tion 401(a), 403(a), or 405(a)) are not provided by any  
4           other person with respect to the remuneration paid to  
5           such individual by the foreign affiliate.”

6           (d) Paragraph (1) of section 407(a) of such Code (relat-  
7           ing to certain employees of domestic subsidiaries engaged in  
8           business outside the United States) is amended—

9           (1) by striking out “citizen of the United States”  
10          and inserting in lieu thereof “citizen or resident of the  
11          United States”, and

12          (2) by striking out “citizens of the United States”  
13          and inserting in lieu thereof “citizens or residents of  
14          the United States”.

15          (e)(1) Those provisions of subsection (l) of section 3121  
16          of such Code which are not amended by subsection (a) of this  
17          section are amended in accordance with the following table:

<b>Strike out (wherever it appears in the text or heading):</b>	<b>And insert:</b>
domestic corporation .....	American employer
domestic corporations .....	American employers
subsidiary .....	affiliate
subsidiaries .....	affiliates
foreign corporation .....	foreign entity
foreign corporations .....	foreign entities
citizens .....	citizens or residents
the word “a” where it appears before “domestic”.	an

18          (2)(A) Section 406 of such Code (other than subsection  
19          (a) thereof) is amended in accordance with the following  
20          table:

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**Strike out (wherever appearing in the text):**

domestic corporation .....	American employer
subsidiary .....	affiliate
the word "a" where it appears before "domestic".	an

1 (B) Paragraph (3) of subsection (c) of such section 406  
 2 (as in effect before the amendment made by subparagraph  
 3 (A)) is amended by striking out "another corporation con-  
 4 trolled by such domestic corporation" and inserting in lieu  
 5 thereof "another entity in which such American employer  
 6 has not less than a 10-percent interest (within the meaning of  
 7 section 3121(l)(8)(B))".

8 (C)(i) So much of subsection (d) of such section 406 as  
 9 precedes paragraph (1) thereof is amended by striking out  
 10 "another corporation" and inserting in lieu thereof "another  
 11 taxpayer".

12 (ii) Paragraph (1) of subsection (d) of such section 406 is  
 13 amended by striking out "any other corporation" and insert-  
 14 ing in lieu thereof "any other taxpayer".

15 (D)(i) The heading of such section 406 is amended to  
 16 read as follows:

17 **"SEC. 406. EMPLOYEES OF FOREIGN AFFILIATES COVERED**  
 18 **BY SECTION 3121(l) AGREEMENTS."**

19 (ii) The table of sections for subpart A of part I of sub-  
 20 chapter D of chapter 1 of such Code is amended by striking  
 21 out the item relating to section 406 and inserting in lieu  
 22 thereof the following:

“Sec. 406. Employees of foreign affiliates covered by section 3121(l) agreements.”

1       (3) Clause (A) of the second sentence of section 1402(b)  
2 of such Code (defining self-employment income) is amended  
3 by striking out “employees of foreign subsidiaries of domestic  
4 corporations” and inserting in lieu thereof “employees of for-  
5 eign affiliates of American employers”.

6       (4)(A) Subparagraph (C) of section 6413(c)(2) of such  
7 Code (relating to special refunds of FICA taxes in the case of  
8 employees of certain foreign corporations) is amended—

9           (i) by striking out “FOREIGN CORPORATIONS” in  
10 the heading and inserting in lieu thereof “FOREIGN AF-  
11 FILIATES”, and

12           (ii) by striking out “domestic corporation” in the  
13 text and inserting in lieu thereof “American employ-  
14 er”.

15       (B) The heading of paragraph (2) of section 6413(c) of  
16 such Code is amended by striking out “FOREIGN CORPORA-  
17 TIONS” and inserting in lieu thereof “FOREIGN AFFILI-  
18 ATES”.

19       (f)(1)(A) The amendments made by this section (other  
20 than subsection (d)) shall apply to agreements entered into  
21 after the date of the enactment of this Act.

22       (B) At the election of any American employer, the  
23 amendments made by this section (other than subsection (d))  
24 shall also apply to any agreement entered into on or before

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1 the date of the enactment of this Act. Any such election shall  
2 be made at such time and in such manner as the Secretary  
3 may by regulations prescribe.

4 (2)(A) The amendments made by subsection (d) shall  
5 apply to plans established after the date of the enactment of  
6 this Act.

7 (B) At the election of any domestic parent corporation  
8 the amendments made by subsection (d) shall also apply to  
9 any plan established on or before the date of the enactment of  
10 this Act. Any such election shall be made at such time and in  
11 such manner as the Secretary may by regulations prescribe.

12 EXTENSION OF COVERAGE BY INTERNATIONAL SOCIAL  
13 SECURITY AGREEMENT

14 SEC. 322. (a)(1) Section 210(a) of the Social Security  
15 Act is amended, in the matter preceding paragraph (1)—

16 (A) by striking out “either” before “(A)”, and

17 (B) by inserting before “; except” the following:

18 “, or (C) if it is service, regardless of where or by  
19 whom performed, which is designated as employment  
20 or recognized as equivalent to employment under an  
21 agreement entered into under section 233”.

22 (2) Section 3121(b) of the Internal Revenue Code of  
23 1954 is amended, in the matter preceding paragraph (1)—

24 (A) by striking out “either” before “(A)”, and

1 (B) by inserting before “; except” the following:  
2 “, or (C) if it is service, regardless of where or by  
3 whom performed, which is designated as employment  
4 or recognized as equivalent to employment under an  
5 agreement entered into under section 233 of the Social  
6 Security Act”.

7 (b)(1) Section 211(b) of the Social Security Act is  
8 amended by inserting after “non-resident alien individual”  
9 the following: “, except as provided by an agreement under  
10 section 233”.

11 (2) The first sentence of section 1402(b) of the Internal  
12 Revenue Code of 1954 is amended by inserting after “non-  
13 resident alien individual” the following: “, except as provided  
14 by an agreement under section 233 of the Social Security  
15 Act”.

16 (c) The amendments made by this section shall be effec-  
17 tive for taxable years beginning on or after the date of the  
18 enactment of this Act.

19 TREATMENT OF CERTAIN SERVICE PERFORMED OUTSIDE  
20 THE UNITED STATES

21 SEC. 323. (a)(1) Subsection (b) of section 3121 of the  
22 Internal Revenue Code of 1954 (defining employment) is  
23 amended by striking out “a citizen of the United States” in  
24 the matter preceding paragraph (1) thereof and inserting in  
25 lieu thereof “a citizen or resident of the United States”.

1       (2) Subsection (a) of section 210 of the Social Security  
2 Act is amended by striking out “a citizen of the United  
3 States” in the matter preceding paragraph (1) thereof and  
4 inserting in lieu thereof “a citizen or resident of the United  
5 States”.

6       (b)(1) Paragraph (11) of section 1402(a) of the Internal  
7 Revenue Code of 1954 (defining net earnings from self-em-  
8 ployment) is amended by striking out “in the case of an indi-  
9 vidual described in section 911(d)(1)(B),”.

10       (2)(A) Paragraph (10) of section 211(a) of the Social Se-  
11 curity Act is amended to read as follows:

12               “(10) the exclusion from gross income provided by  
13 section 911(a)(1) of the Internal Revenue Code of 1954  
14 shall not apply; and”.

15       (B) Effective with respect to taxable years beginning  
16 after December 31, 1981, and before January 1, 1984, para-  
17 graph (10) of section 211(a) of such Act is amended to read  
18 as follows:

19               “(10) in the case of an individual described in sec-  
20 tion 911(d)(1)(B) of the Internal Revenue Code of  
21 1954, the exclusion from gross income provided by  
22 section 911(a)(1) of such Code shall not apply; and”.

23       (c)(1) The amendments made by subsection (a) shall  
24 apply to remuneration paid after December 31, 1983.

1       (2) Except as provided in subsection (b)(2)(B), the  
2 amendments made by subsection (b) shall apply to taxable  
3 years beginning after December 31, 1983.

4           TREATMENT OF PAY AFTER AGE 62 AS WAGES

5       SEC. 324. (a) Section 209 of the Social Security Act is  
6 amended by striking out subsection (i).

7       (b) Section 3121(a) of the Internal Revenue Code of  
8 1954 is amended by striking out paragraph (9).

9       (c) The amendments made by this section shall apply  
10 with respect to calendar years beginning more than six  
11 months after the date of the enactment of this Act.

12       TREATMENT OF CONTRIBUTIONS UNDER SIMPLIFIED

13           EMPLOYEE PENSIONS

14       SEC. 325. (a) Subparagraph (D) of section 3121(a)(5) of  
15 the Internal Revenue Code of 1954 (defining wages) is  
16 amended by striking out "section 219" and inserting in lieu  
17 thereof "section 219(b)(2)".

18       (b) Subsection (e) of section 209 of the Social Security  
19 Act is amended by striking out the semicolon at the end  
20 thereof and inserting in lieu thereof the following: " , or (5)  
21 under a simplified employee pension (as defined in section  
22 408(k) of the Internal Revenue Code of 1954) if, at the time  
23 of the payment, it is reasonable to believe that the employee  
24 will be entitled to a deduction under section 219(b)(2) of such  
25 Code for such payment;".

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1 (c) The amendments made by this section shall apply to  
2 remuneration paid after December 31, 1983.

3 EFFECT OF CHANGES IN NAMES OF STATE AND LOCAL  
4 EMPLOYEE GROUPS IN UTAH

5 SEC. 326. (a) Section 218(o) of the Social Security Act  
6 is amended by adding at the end thereof the following new  
7 sentence: "Coverage provided for in this subsection shall not  
8 be affected by a subsequent change in the name of a group."

9 (b) The amendment made by subsection (a) shall apply  
10 with respect to name changes made before, on, or after the  
11 date of the enactment of this section.

12 EFFECTIVE DATES OF INTERNATIONAL SOCIAL SECURITY  
13 AGREEMENTS

14 SEC. 327. (a) Section 233(e)(2) of the Social Security  
15 Act is amended by striking out "during which each House of  
16 the Congress has been in session on each of 90 days" and  
17 inserting in lieu thereof "during which at least one House of  
18 the Congress has been in session on each of 60 days".

19 (b) The amendment made by subsection (a) shall be ef-  
20 fective on the date of the enactment of this Act.

21 TECHNICAL CORRECTION WITH RESPECT TO WITHHOLD-  
22 ING ON SICK PAY OF PARTICIPANTS IN MULTIEM-  
23 PLOYER PLANS

24 SEC. 328. (a) Paragraph (2) of section 3(d) of the Act  
25 entitled "An Act to amend the Omnibus Reconciliation Act

1 of 1981 to restore minimum benefits under the Social Secu-  
2 rity Act", approved December 29, 1981 (Public Law 97-  
3 123), relating to extension of coverage to first 6 months of  
4 sick pay, is amended by striking out "and" at the end of  
5 subparagraph (B), by striking out the period at the end of  
6 subparagraph (C) and inserting in lieu thereof ", and", and  
7 by adding at the end thereof the following new subparagraph:

8           “(D) in the case of a multiemployer plan, to the  
9           extent provided in regulations prescribed under para-  
10          graph (1), such plan shall be treated as the agent of  
11          the employers for whom services are normally ren-  
12          dered.”

13          (b) The amendment made by subsection (a) shall apply  
14 to remuneration paid after June 30, 1983.

15 AMOUNTS RECEIVED UNDER CERTAIN DEFERRED COMPEN-  
16 SATION AND SALARY REDUCTION ARRANGEMENTS  
17 TREATED AS WAGES FOR FICA TAXES

18 SEC. 329. (a) Section 3121 of the Internal Revenue  
19 Code of 1954 (relating to definitions) is amended by adding at  
20 the end thereof the following new subsection:

21          “(v) TREATMENT OF CERTAIN DEFERRED COMPEN-  
22 SATION AND SALARY REDUCTION ARRANGEMENTS.—  
23 Nothing in any paragraph of subsection (a) (other than para-  
24 graph (1)) shall exclude from the term ‘wages’ any employer  
25 contribution—

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1           “(1) under a qualified cash or deferred arrange-  
2           ment (as defined in section 401(k)) to the extent not  
3           included in gross income by reason of section 402(a)(8),

4           “(2) under a cafeteria plan (as defined in section  
5           125(d)) to the extent the employee had the right to  
6           choose cash, property, or other benefits which would  
7           be wages for purposes of this chapter, or

8           “(3) for an annuity contract described in section  
9           403(b).”

10          (b) Section 209 of the Social Security Act is amended  
11          by adding at the end thereof (after the new paragraph added  
12          by section 101(c)(1) of the this Act) the following new para-  
13          graph:

14          “Nothing in any of the foregoing provisions of this sec-  
15          tion (other than subsection (a)) shall exclude from the term  
16          ‘wages’ and employer contribution—

17               “(1) under a qualified cash or deferred arrange-  
18               ment (as defined in section 401(k)) of the Internal Rev-  
19               enue Code of 1954 to the extent not included in gross  
20               income by reason of section 402(a)(8) of such Code,

21               “(2) under a cafeteria plan (as defined in section  
22               125(d) of such Code) to the extent the employee had  
23               the right to choose cash, property, or other benefits  
24               which would be wages for purposes of this title, or



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1 clude such items from income under section 119 of the Inter-  
2 nal Revenue Code of 1954.”

3 (b)(1) Subsection (a) of section 3121 of such Code is  
4 amended by inserting after paragraph (19) (as added by sub-  
5 section (a) of this section) the following new sentence:  
6 “Nothing in the regulations prescribed for purposes of chap-  
7 ter 24 (relating to income tax withholding) which provides an  
8 exclusion from ‘wages’ as used in such chapter shall be con-  
9 strued to require a similar exclusion from ‘wages’ in the reg-  
10 ulations prescribed for purposes of this chapter.”

11 (2) Section 209 of the Social Security Act is amended  
12 by inserting immediately after subsection (r) (as added by  
13 subsection (a) of this section) the following new sentence:  
14 “Nothing in the regulations prescribed for purposes of chap-  
15 ter 24 of the Internal Revenue Code of 1954 (relating to  
16 income tax withholding) which provides an exclusion from  
17 ‘wages’ as used in such chapter shall be construed to require  
18 a similar exclusion from ‘wages’ in the regulations prescribed  
19 for purposes of this title.”

20 (c) The amendments made by subsections (a) and (b)  
21 shall apply to remuneration paid after December 31, 1983.

1                   PART D—OTHER AMENDMENTS  
2   TECHNICAL AND CONFORMING AMENDMENTS TO MAXIMUM  
3                   FAMILY BENEFIT PROVISIONS

4       SEC. 331. (a)(1) Section 203(a)(3)(A) of the Social Secu-  
5   rity Act is amended by striking out clause (ii) and inserting in  
6   lieu thereof the following:

7               “(ii) an amount (I) initially equal to the product of  
8       1.75 and the primary insurance amount that would be  
9       computed under section 215(a)(1), for January of the  
10      year determined for purposes of this clause under the  
11      following two sentences, with respect to average in-  
12      dexed monthly earnings equal to one-twelfth of the  
13      contribution and benefit base determined for that year  
14      under section 230, and (II) thereafter increased in ac-  
15      cordance with the provisions of section 215(i)(2)(A)(ii).  
16   The year established for purposes of clause (ii) shall be 1983  
17   or, if it occurs later with respect to any individual, the year in  
18   which occurred the month that the application of the reduc-  
19   tion provisions contained in this subparagraph began with re-  
20   spect to benefits payable on the basis of the wages and self-  
21   employment income of the insured individual. If for any  
22   month subsequent to the first month for which clause (ii) ap-  
23   plies (with respect to benefits payable on the basis of the  
24   wages and self-employment income of the insured individual)  
25   the reduction under this subparagraph ceases to apply, then

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1 the year determined under the preceding sentence shall be  
2 redetermined (for purposes of any subsequent application of  
3 this subparagraph with respect to benefits payable on the  
4 basis of such wages and self-employment income) as though  
5 this subparagraph had not been previously applicable.”.

6 (2) Section 203(a)(7) of such Act is amended by striking  
7 out everything that follows “shall be reduced to an amount  
8 equal to” and inserting in lieu thereof “the amount deter-  
9 mined in accordance with the provisions of paragraph  
10 (3)(A)(ii) of this subsection, except that for this purpose the  
11 references to subparagraph (A) in the last two sentences of  
12 paragraph (3)(A) shall be deemed to be references to para-  
13 graph (7).”.

14 (b) Clause (i) in the last sentence of section 203(b)(1) of  
15 such Act (as amended by section 132(b) of this Act) is further  
16 amended by striking out “penultimate sentence” and insert-  
17 ing in lieu thereof “first sentence of paragraph (4)”.

18 (c) The amendments made by subsection (a) shall be ef-  
19 fective with respect to payments made for months after De-  
20 cember 1983.

21 REDUCTION FROM 72 TO 70 OF AGE BEYOND WHICH NO  
22 DELAYED RETIREMENT CREDITS CAN BE EARNED

23 SEC. 332. (a) Section 202(w) of the Social Security Act  
24 is amended—

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1 (1) in paragraph (2)(A), by striking out “age 72”  
2 and inserting in lieu thereof “age 70”; and

3 (2) in paragraph (3), by striking out “age 72 after  
4 1972” and inserting in lieu thereof “age 70”.

5 (b) The amendments made by subsection (a) shall apply  
6 with respect to individuals who attain age 70 after December  
7 1983. For individuals who attain age 70 before January  
8 1984, section 202(w) as in effect immediately before the en-  
9 actment of the amendments made by this section shall apply,  
10 except that no increment months as determined under such  
11 section attributable to months after December 1983 shall  
12 accrue.

13 RELAXATION OF INSURED STATUS REQUIREMENTS FOR  
14 CERTAIN WORKERS PREVIOUSLY ENTITLED TO A  
15 PERIOD OF DISABILITY

16 SEC. 333. (a) Section 216(i)(3) of the Social Security  
17 Act is amended—

18 (1) by striking out the semicolon at the end of  
19 clause (ii) of subparagraph (B) and inserting in lieu  
20 thereof “, or”; and

21 (2) by inserting after clause (ii) of such subpara-  
22 graph the following new clause:

23 “(iii) in the case of an individual (not otherwise  
24 insured under clause (i)) who, by reason of clause (ii),  
25 had a prior period of disability that began during a

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1 period before the quarter in which he or she attained  
2 age 31, not less than one-half of the quarters beginning  
3 after such individual attained age 21 and ending with  
4 such quarter are quarters of coverage, or (if the  
5 number of quarters in such period is less than 12) not  
6 less than 6 of the quarters in the 12-quarter period  
7 ending with such quarter are quarters of coverage;”.

8 (b) Section 223(c)(1)(B) of such Act is amended—

9 (1) by striking out the semicolon at the end of  
10 clause (ii) and inserting in lieu thereof “, or”; and

11 (2) by inserting after clause (ii) the following new  
12 clause:

13 “(iii) in the case of an individual (not  
14 otherwise insured under clause (i)) who, by  
15 reason of section 216(i)(3)(B)(ii), had a prior  
16 period of disability that began during a  
17 period before the quarter in which he or she  
18 attained age 31, not less than one-half of the  
19 quarters beginning after such individual at-  
20 tained age 21 and ending with the quarter in  
21 which such month occurs are quarters of  
22 coverage, or (if the number of quarters in  
23 such period is less than 12) not less than 6  
24 of the quarters in the 12-quarter period

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1 ending with such quarter are quarters of cov-  
2 erage;”.

3 (c) The amendments made by this section shall be effec-  
4 tive with respect to applications for disability insurance bene-  
5 fits under section 223 of the Social Security Act, and for  
6 disability determinations under section 216(i) of such Act,  
7 filed after the date of the enactment of this Act, except that  
8 no monthly benefits under title II of the Social Security Act  
9 shall be payable or increased by reason of the amendments  
10 made by this section for months before the month following  
11 the month of enactment of this Act.

12 PROTECTION OF BENEFITS OF ILLEGITIMATE CHILDREN  
13 OF DISABLED BENEFICIARIES

14 SEC. 334. (a) The last sentence of section 216(h)(3) of  
15 the Social Security Act is amended by striking out “subpara-  
16 graph (A)(i)” and inserting in lieu thereof “subparagraphs  
17 (A)(i) and (B)(i)”.

18 (b) The amendment made by subsection (a) shall be ef-  
19 fective on the date of the enactment of this Act.

20 ONE-MONTH RETROACTIVITY OF WIDOW’S AND WIDOWER’S  
21 INSURANCE BENEFITS

22 SEC. 335. (a) Section 202(j)(4)(B) of the Social Security  
23 Act is amended—

24 (1) by redesignating clauses (iii) and (iv) as clauses  
25 (iv) and (v), respectively; and

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1           (2) by adding after clause (ii) the following new  
2       clause:

3       “(iii) Subparagraph (A) does not apply to a benefit under  
4       subsection (e) or (f) for the month immediately preceding the  
5       month of application, if the insured individual died in that  
6       preceding month.”.

7       (b) The amendments made by subsection (a) shall apply  
8       with respect to survivors whose applications for monthly  
9       benefits are filed after the second month following the month  
10      in which this Act is enacted.

11                               NONASSIGNABILITY OF BENEFITS

12      SEC. 336. (a) Section 207 of the Social Security Act is  
13      amended—

14           (1) by inserting “(a)” before “The right”; and

15           (2) by adding at the end thereof the following new  
16      subsection:

17      “(b) No other provision of law, enacted before, on, or  
18      after the date of the enactment of this section, may be con-  
19      strued to limit, supersede, or otherwise modify the provisions  
20      of this section except to the extent that it does so by express  
21      reference to this section.”.

22      (b) Section 459(a) of such Act is amended by inserting  
23      “(including section 207)” after “any other provision of law”.

24      (c) The amendments made by subsection (a) shall apply  
25      only with respect to benefits payable or rights existing under

1 the Social Security Act on or after the date of the enactment  
2 of this Act.

3 USE OF DEATH CERTIFICATES TO PREVENT ERRONEOUS  
4 BENEFIT PAYMENTS TO DECEASED INDIVIDUALS

5 SEC. 337. Section 205 of the Social Security Act is  
6 amended by adding at the end thereof the following new sub-  
7 section:

8 “Use of Death Certificates to Correct Program Information

9 “(r)(1) The Secretary is authorized to establish a pro-  
10 gram under which—

11 “(A) States (or political subdivisions thereof) vol-  
12 untarily contract with the Secretary to furnish the Sec-  
13 retary periodically with information (in a form estab-  
14 lished by the Secretary in consultation with the States)  
15 concerning individuals with respect to whom death cer-  
16 tificates (or equivalent documents maintained by the  
17 States or subdivisions) have been officially filed with  
18 them;

19 “(B) the Secretary compares such information on  
20 such individuals with information on such individuals in  
21 the records being used in the administration of this  
22 Act; and

23 “(C) the Secretary makes any appropriate correc-  
24 tions in such records to accurately reflect the status of  
25 such individuals.

1       “(2) Each State (or political subdivision thereof) which  
2 furnishes the Secretary with information on records of deaths  
3 in the State or subdivision under this subsection shall be paid  
4 by the Secretary from amounts available for administration of  
5 this Act the reasonable costs (established by the Secretary)  
6 for transcribing and transmitting such information to the Sec-  
7 retary.

8       “(3) In the case of individuals with respect to whom  
9 benefits are provided by (or through) a Federal or State  
10 agency other than under this Act, the Secretary may provide,  
11 through a cooperative arrangement with such agency, for  
12 carrying out the duties described in paragraph (1)(B) with  
13 respect to such individuals if—

14       “(A) under such arrangement the agency provides  
15 reimbursement to the Secretary for the reasonable cost  
16 of carrying out such arrangement, and

17       “(B) such arrangement does not conflict with the  
18 duties of the Secretary under paragraph (1).

19       “(4) Information furnished to the Secretary under this  
20 subsection may not be used for any purpose other than the  
21 purposes described in this subsection and is exempt from dis-  
22 closure under section 552 of title 5, United States Code, and  
23 from the requirements of section 552a of such title.”.

## 1 PUBLIC PENSION OFFSET

2 SEC. 338. (a) Subsections (b)(4)(A), (c)(2)(A), (f)(2)(A),  
3 and (g)(4)(A) of section 202 of the Social Security Act, and  
4 paragraph (7)(A) of section 202(e) of such Act (as redesignat-  
5 ed by section 131(a)(3)(A) of this Act), are each amended—

6 (1) by striking out “by an amount equal to the  
7 amount of any monthly periodic benefit” and inserting  
8 in lieu thereof “by an amount equal to one-third of the  
9 amount of any monthly periodic benefit”; and

10 (2) by adding at the end thereof the following new  
11 sentence: “The amount of the reduction in any benefit  
12 under this subparagraph, if not a multiple of \$0.10,  
13 shall be rounded to the next higher multiple of  
14 \$0.10.”.

15 (b) The amendments made by subsection (a) of this sec-  
16 tion shall apply only with respect to monthly insurance bene-  
17 fits payable under title II of the Social Security Act to indi-  
18 viduals who initially become eligible (as defined in section  
19 334 of Public Law 95-216) for monthly periodic benefits  
20 (within the meaning of the provisions amended by subsection  
21 (a)) for months after June 1983.

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1 STUDY CONCERNING THE ESTABLISHMENT OF THE SOCIAL  
2 SECURITY ADMINISTRATION AS AN INDEPENDENT  
3 AGENCY

4 SEC. 339. (a) There is hereby established, under the  
5 authority of the Committee on Ways and Means of the House  
6 of Representatives and the Committee on Finance of the  
7 Senate, a joint study panel to be known as the Joint Study  
8 Panel on the Social Security Administration (hereafter in this  
9 section referred to as the "Panel"). The duties of the Panel  
10 shall be to conduct the study provided for in subsection (c).

11 (b)(1) The Panel shall be composed of 3 members, ap-  
12 pointed jointly by the chairmen of the Committee on Ways  
13 and Means of the House of Representatives and the Commit-  
14 tee on Finance of the Senate and such chairmen shall jointly  
15 select one member of the Panel to serve as chairman of the  
16 Panel. Members of the Panel shall be chosen, on the basis of  
17 their integrity, impartiality, and good judgment, from individ-  
18 uals who, as a result of their training, experience, and attain-  
19 ments, are widely recognized by professionals in the field of  
20 government administration as experts in that field.

21 (2) Vacancies in the membership of the Panel shall not  
22 affect the power of the remaining members to perform the  
23 duties of the Panel and shall be filled in the same manner in  
24 which the original appointment was made.

1       (3) Each member of the Panel not otherwise in the  
2 employ of the United States Government shall receive the  
3 daily equivalent of the annual rate of basic pay payable for  
4 level V of the Executive Schedule under section 5316 of title  
5 5, United States Code, for each day during which such  
6 member is actually engaged in the performance of the duties  
7 of the Panel. Each member of the Panel shall be allowed  
8 travel expenses in the same manner as any individual em-  
9 ployed intermittently by the Federal Government is allowed  
10 travel expenses under section 5703 of title 5, United States  
11 Code.

12       (4) By agreement between the chairmen of the Commit-  
13 tee on Ways and Means of the House of Representatives and  
14 the Committee on Finance of the Senate, such Committees  
15 shall provide the Panel, on a reimbursible basis, office space,  
16 clerical personnel, and such supplies and equipment as may  
17 be necessary for the Panel to carry out its duties under this  
18 section. Subject to such limitations as the chairmen of such  
19 Committees may jointly prescribe, the Panel may appoint  
20 such additional personnel as the Panel considers necessary  
21 and fix the compensation of such personnel as it considers  
22 appropriate at an annual rate which does not exceed the rate  
23 of basic pay then payable for GS-18 of the General Schedule  
24 under section 5332 of title 5, United States Code, and may  
25 procure by contract the temporary or intermittent services of

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1 clerical personnel and experts or consultants, or organiza-  
2 tions thereof.

3       (5) There are hereby appropriated to the Panel from the  
4 Federal Old-Age and Survivors Insurance Trust Fund, the  
5 Federal Disability Insurance Trust Fund, the Federal Hospi-  
6 tal Insurance Trust Fund, and the Federal Supplementary  
7 Medical Insurance Trust Fund, such sums as the chairmen of  
8 the Committee on Ways and Means of the House of Repre-  
9 sentatives and the Committee on Finance of the Senate shall  
10 jointly certify to the Secretary of the Treasury as necessary  
11 to carry out the Panel's duties under this section. The Secre-  
12 tary of the Treasury shall allocate among such Trust Funds  
13 the total amount to be transferred from such Trust Funds  
14 under this paragraph so that the amount of such sums which  
15 is transferred from each such Trust Fund under this para-  
16 graph shall bear the same ratio to the total amount trans-  
17 ferred from all such Trust Funds under this paragraph as the  
18 amount expended from such Trust Fund during the fiscal  
19 year ending September 30, 1982, bears to the total amount  
20 expended from all such Trust Funds during such fiscal year.

21       (c)(1) The Panel shall undertake, as soon as possible  
22 after the date of the enactment of this Act, a thorough study  
23 with respect to the feasibility and implementation of remov-  
24 ing the Social Security Administration from the Department  
25 of Health and Human Services and establishing it as an inde-

1 pendent agency in the executive branch with its own inde-  
2 pendent administrative structure, including the possibility of  
3 such a structure headed by a board appointed by the Presi-  
4 dent, by and with the advice and consent of the Senate.

5 (2) The Panel in its study under paragraph (1) shall ad-  
6 dress, analyze, and report specifically on the following mat-  
7 ters:

8 (A) the effect of the organizational status of the  
9 Social Security Administration on beneficiaries under  
10 the Social Security Act and the general public;

11 (B) the legal and other relationships of the Social  
12 Security Administration with other organizations,  
13 within and outside the Federal Government, and the  
14 changes in such relationships which would be required  
15 as a result of establishing the Social Security Adminis-  
16 tration as an independent agency;

17 (C) any changes which may be necessary or ap-  
18 propriate, in the course of establishing the Social Secu-  
19 rity Administration as an independent agency, in the  
20 constitution of the Boards of Trustees of the four social  
21 security trust funds; and

22 (D) such other matters as the Panel may consider  
23 relevant to the study.

24 (d) The Panel shall submit to the Committee on Ways  
25 and Means of the House of Representatives and the Commit-

tee on Finance of the Senate, not later than April 1, 1984, a report of the findings of the study conducted under subsection (c), together with any recommendations the Panel considers appropriate. The Panel and all authority granted in this section shall expire thirty days after the date of the filing of its report under this section.

CONFORMING CHANGES IN MEDICARE PREMIUM PROVISIONS TO REFLECT CHANGES IN COST-OF-LIVING BENEFIT ADJUSTMENTS

SEC. 340. (a) Section 1818(d)(2) of the Social Security Act is amended—

(1) by striking out “during the last calendar quarter of each year, beginning in 1973,” in the first sentence and inserting in lieu thereof “during the next to last calendar quarter of each year”;

(2) by striking out “the 12-month period commencing July 1 of the next year” in the first sentence and inserting in lieu thereof “the following calendar year”; and

(3) by striking out “for such next year” in the second sentence and inserting in lieu thereof “for that following calendar year”.

(b)(1) Section 1839(c) of such Act is amended—

1 (A) by striking out “December of 1972 and of  
2 each year thereafter” in paragraphs (1), (3), and (4)  
3 and inserting in lieu thereof “September of each year”;

4 (B) by striking out “for the 12-month period com-  
5 mencing July 1 in the succeeding year” in paragraphs  
6 (1), (3), and (4) and inserting in lieu thereof “for  
7 months in the following calendar year”;

8 (C) by striking out “such 12-month period” each  
9 place it appears in paragraphs (1) and (4) and inserting  
10 in lieu thereof “such calendar year”;

11 (D) by striking out “that 12-month period” in  
12 paragraph (3)(A) and inserting in lieu thereof “that cal-  
13 endar year”;

14 (E) by striking out “May 1 of the year” in para-  
15 graph (3)(B) and inserting in lieu thereof “November 1  
16 of the year before the year”; and

17 (F) by striking out “following May” in paragraph  
18 (3)(B) and inserting in lieu thereof “following Novem-  
19 ber”.

20 (2) Section 1839(g) of such Act is amended—

21 (A) by striking out “June 1983” in paragraph (1)  
22 and inserting in lieu thereof “December 1983”, and

23 (B) by striking out “July 1985” and inserting in  
24 lieu thereof “January 1986” each place it appears.

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1 (d) The amendments made by this section shall apply to  
2 premiums for months beginning with January 1984, and for  
3 months after June 1983 and before January 1984—

4 (1) the monthly premiums under part A and under  
5 part B of title XVIII of the Social Security Act for  
6 individuals enrolled under each respective part shall be  
7 the monthly premium under that part for the month of  
8 June 1983, and

9 (2) the amount of the Government contributions  
10 under section 1844(a)(1) of such Act shall be computed  
11 on the basis of the actuarially adequate rate which  
12 would have been in effect under part B of title XVIII  
13 of such Act for such months without regard to the  
14 amendments made by this section, but using the  
15 amount of the premium in effect for the month of June  
16 1983.

17 **TITLE IV—SUPPLEMENTAL SECURITY INCOME**  
18 **BENEFITS**

19 **INCREASE IN FEDERAL SSI BENEFIT STANDARD**

20 **SEC. 401.** (a) Section 1617 of the Social Security Act is  
21 amended by adding at the end thereof the following new sub-  
22 section:

23 “(c) Effective July 1, 1983—

24 “(1) each of the dollar amounts in effect under  
25 subsections (a)(1)(A) and (b)(1) of section 1611, as pre-

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1 viously increased under this section, shall be increased  
2 by \$20 (and the dollar amount in effect under subsec-  
3 tion (a)(1)(A) of Public Law 93-66, as previously so in-  
4 creased, shall be increased by \$10); and

5 “(2) each of the dollar amounts in effect under  
6 subsections (a)(2)(A) and (b)(2) of section 1611, as pre-  
7 viously increased under this section, shall be increased  
8 by \$30.”.

9 (b) Section 1617(b) of such Act is amended by striking  
10 out “this section” and inserting in lieu thereof “subsection (a)  
11 of this section”.

12 **ADJUSTMENTS IN FEDERAL SSI PASS-THROUGH**

13 **PROVISIONS**

14 **SEC. 402.** Section 1618 of the Social Security Act is  
15 amended by adding at the end thereof the following new sub-  
16 section:

17 “(d)(1) For any particular month after March 1983, a  
18 State which is not treated as meeting the requirements im-  
19 posed by paragraph (4) of subsection (a) by reason of subsec-  
20 tion (b) shall be treated as meeting such requirements if and  
21 only if—

22 “(A) the combined level of its supplementary pay-  
23 ments (to recipients of the type involved) and the  
24 amounts payable (to or on behalf of such recipients)  
25 under section 1611(b) of this Act and section

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1       211(a)(1)(A) of Public Law 93-66, for that particular  
2       month,  
3       is not less than—

4               “(B) the combined level of its supplementary pay-  
5       ments (to recipients of the type involved) and the  
6       amounts payable (to or on behalf of such recipients)  
7       under section 1611(b) of this Act and section  
8       211(a)(1)(A) of Public Law 93-66, for March 1983, in-  
9       creased by the amount of all cost-of-living adjustments  
10      under section 1617 (and any other benefit increases  
11      under this title) which have occurred after March 1983  
12      and before that particular month.

13      “(2) In determining the amount of any increase in the  
14      combined level involved under paragraph (1)(B) of this sub-  
15      section, any portion of such amount which would otherwise  
16      be attributable to the increase under section 1617(c) shall be  
17      deemed instead to be equal to the amount of the cost-of-living  
18      adjustment which would have occurred in July 1983 (without  
19      regard to the 3-percent limitation contained in section  
20      215(i)(1)(B)) if section 111 of the Social Security Act Amend-  
21      ments of 1983 had not been enacted.”.

22               SSI ELIGIBILITY FOR TEMPORARY RESIDENTS OF  
23               EMERGENCY SHELTERS FOR THE HOMELESS

24      SEC. 403. (a) Section 1611(e)(1) of the Social Security  
25      Act is amended—

1           (1) by striking out “subparagraph (B) and (C)” in  
2           subparagraph (A) and inserting in lieu thereof “sub-  
3           paragraphs (B), (C), and (D)”;

4           (2) by adding at the end thereof the following new  
5           subparagraph:

6           “(D) A person may be an eligible individual or eligible  
7           spouse for purposes of this title with respect to any month  
8           throughout which he is a resident of a public emergency shel-  
9           ter for the homeless (as defined in regulations which shall be  
10          prescribed by the Secretary); except that no person shall be  
11          an eligible individual or eligible spouse by reason of this sub-  
12          paragraph more than three months in any 12-month period.”.

13          (b) The amendments made by subsection (a) shall be ef-  
14          fective with respect to months after the month in which this  
15          Act is enacted.

16          **DISREGARDING OF EMERGENCY AND OTHER IN-KIND**  
17          **ASSISTANCE PROVIDED BY NONPROFIT ORGANIZATIONS**

18          **SEC. 404. (a)** Section 1612(b)(13) of the Social Security  
19          Act is amended by striking out “any assistance received” and  
20          all that follows down through “(B)” and inserting in lieu  
21          thereof the following: “any support or maintenance assist-  
22          ance furnished to or on behalf of such individual (and spouse  
23          if any) which (as determined under regulations of the Secre-  
24          tary by such State agency as the chief executive officer of the  
25          State may designate) is based on need for such support or

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1 maintenance, including assistance received to assist in meet-  
2 ing the costs of home energy (including both heating and  
3 cooling), and which”.

4 (b) Section 402(a)(36) of such Act is amended by strik-  
5 ing out “shall not include as income” and all that follows  
6 down through “(B)” and inserting in lieu thereof the follow-  
7 ing: “shall not include as income any support or maintenance  
8 assistance furnished to or on behalf of the family which (as  
9 determined under regulations of the Secretary by such State  
10 agency as the chief executive officer of the State may desig-  
11 nate) is based on need for such support and maintenance,  
12 including assistance received to assist in meeting the costs of  
13 home energy (including both heating and cooling), and  
14 which”.

15 (c) The amendments made by this section shall be effec-  
16 tive with respect to months which begin after the month in  
17 which this Act is enacted and end before October 1, 1984.

## 18 TITLE V—UNEMPLOYMENT COMPENSATION

### 19 PROVISIONS

#### 20 PART A—FEDERAL SUPPLEMENTAL COMPENSATION

##### 21 SEC. 501. EXTENSION OF PROGRAM.

22 Paragraph (2) of section 602(f) of the Federal Supple-  
23 mental Compensation Act of 1982 is amended by striking out  
24 “March 31, 1983” and inserting in lieu thereof “September  
25 30, 1983”.

1 **SEC. 502. NUMBER OF WEEKS FOR WHICH COMPENSATION**  
 2 **PAYABLE.**

3 (a) **GENERAL RULE.**—Subsection (e) of section 602 of  
 4 the Federal Supplemental Compensation Act of 1982 is  
 5 amended by redesignating paragraph (3) as paragraph (4) and  
 6 by striking out paragraph (2) and inserting in lieu thereof the  
 7 following new paragraphs:

8 “(2)(A) In the case of any account from which Federal  
 9 supplemental compensation was first payable to an individual  
 10 for a week beginning after March 31, 1983, the amount es-  
 11 tablished in such account shall be equal to the lesser of—

12 “(i) 65 per centum of the total amount of regular  
 13 compensation (including dependents’ allowances) pay-  
 14 able to the individual with respect to the benefit year  
 15 (as determined under the State law) on the basis of  
 16 which he most recently received regular compensation,  
 17 or

18 “(ii) the applicable limit determined under the fol-  
 19 lowing table times his average weekly benefit amount  
 20 for his benefit year.

<b>“In the case of</b>	<b>The applicable</b>
<b>weeks during a:</b>	<b>limit is:</b>
6-percent period .....	14
5-percent period .....	13
4.5-percent period .....	11
3.5-percent period .....	10
Low-unemployment period.....	8

21 “(B) In the case of any account from which Federal  
 22 supplemental compensation was payable to an individual for

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1 a week beginning before April 1, 1983, the amount estab-  
 2 lished in such account shall be equal to the lesser of the sub-  
 3 paragraph (A) entitlement or the sum of—

4 “(i) the subparagraph (A) entitlement reduced (but  
 5 not below zero) by the aggregate amount of Federal  
 6 supplemental compensation paid to such individual for  
 7 weeks beginning before April 1, 1983, plus

8 “(ii) such individual’s additional entitlement.

9 “(C) For purposes of subparagraph (B) and this subpara-  
 10 graph—

11 “(i) The term ‘subparagraph (A) entitlement’  
 12 means the amount which would have been established  
 13 in the account if subparagraph (A) had applied to such  
 14 account.

15 “(ii) The term ‘additional entitlement’ means the  
 16 lesser of—

17 “(I) three-fourths of the subparagraph (A)  
 18 entitlement, or

19 “(II) the applicable limit determined under  
 20 the following table times the individual’s average  
 21 weekly benefit amount for his benefit year.

<b>“In the case of</b>	<b>The applicable</b>
<b>weeks during a:</b>	<b>limit is:</b>
6-percent period .....	10
5-percent period .....	8
4.5-percent period .....	8
3.5-percent period .....	6
Low-employment period .....	6

1       “(D) Except as provided in subparagraph (B)(i), for pur-  
 2 poses of determining the amount of Federal supplemental  
 3 compensation payable for weeks beginning after March 31,  
 4 1983, from an account described in subparagraph (B), no re-  
 5 duction in such account shall be made by reason of any Fed-  
 6 eral supplemental compensation paid to the individual for  
 7 weeks beginning before April 1, 1983.

8       “(3)(A) For purposes of this subsection, the terms ‘6  
 9 percent period’, ‘5 percent period’, ‘4.5 percent period’, ‘3.5  
 10 percent period’ and ‘low-unemployment period’ mean, with  
 11 respect to any State, the period which—

12           “(i) begins with the 3d week after the 1st week in  
 13 which the rate of insured unemployment in the State  
 14 for the period consisting of such week and the immedi-  
 15 ately preceding 12 weeks falls in the applicable range,  
 16 and

17           “(ii) ends with the 3d week after the 1st week in  
 18 which the rate of insured unemployment for the period  
 19 consisting of such week and the immediately preceding  
 20 12 weeks does not fall within the applicable range.

21       “(B) For purposes of subparagraph (A), the applicable  
 22 range is as follows:

<b>“In the case of a:</b>	<b>The applicable range is:</b>
6-percent period.....	A rate equal to or exceeding 6 percent
5-percent period.....	A rate equal to or exceeding 5 percent but less than 6 percent
4.5-percent period.....	A rate equal to or exceeding 4.5 per- cent but less than 5 percent

**“In the case of a:**

3.5 percent period.....

Low-employment period.....

**The applicable range is:**A rate equal to or exceeding 3.5 per-  
cent but less than 4.5 percent

A rate less than 3.5 percent

1 “(C) No 6-percent period, 5-percent period, 4.5-percent  
2 period, or 3.5-percent period, as the case may be, shall last  
3 for a period of less than 4 weeks unless the State enters a  
4 period with a higher percentage designation.

5 “(D) For purposes of this subsection—

6 “(i) The rate of insured unemployment for any  
7 period shall be determined in the same manner as de-  
8 termined for purposes of section 203 of the Federal-  
9 State Extended Unemployment Compensation Act of  
10 1970.

11 “(ii) The amount of an individual’s average  
12 weekly benefit amount shall be determined in the same  
13 manner as determined for purposes of section  
14 202(b)(1)(C) of such Act.”

15 (b) **TECHNICAL AMENDMENT.**—Paragraph (3) of sec-  
16 tion 602(d) of the Federal Supplemental Compensation Act of  
17 1982 (as amended by section 544(d) of the Highway Revenue  
18 Act of 1982) is amended by striking out “subsection  
19 (e)(2)(A)(ii)” and inserting in lieu thereof “subparagraph  
20 (A)(ii) or (C)(ii)(II) of subsection (e)(2)”.

1   **SEC. 503. COORDINATION WITH TRADE READJUSTMENT PRO-**  
2                                   **GRAM.**

3           Subsection (e) of section 602 of the Federal Supplemen-  
4   tal Compensation Act of 1982 is amended by adding at the  
5   end thereof the following new paragraph:

6           “(5)(A) Except as provided in subparagraph (B), the  
7   maximum amount of Federal supplemental compensation  
8   payable to an individual shall not be reduced by reason of any  
9   trade readjustment allowances to which the individual was  
10  entitled under the Trade Act of 1974.

11          “(B) If an individual received any trade readjustment  
12  allowance under the Trade Act of 1974 in respect of any  
13  benefit year, the maximum amount of Federal supplemental  
14  compensation payable under this subtitle in respect of such  
15  benefit year shall be reduced (but not below zero) so that (to  
16  the extent possible by making such a reduction) the aggre-  
17  gate amount of—

18               “(i) regular compensation,

19               “(ii) extended compensation,

20               “(iii) trade readjustment allowances, and

21               “(iv) Federal supplemental compensation,

22  payable in respect of such benefit year does not exceed the  
23  aggregate amount which would have been so payable had the  
24  individual not been entitled to any trade readjustment allow-  
25  ance.”

1   **SEC. 504. EFFECTIVE DATE.**

2       (a) **GENERAL RULE.**—The amendments made by this  
3 part shall apply to weeks beginning after March 31, 1983.

4       (b) **TREATMENT OF INDIVIDUALS WHO EXHAUSTED**  
5 **BENEFITS.**—In the case of any eligible individual—

6           (1) to whom any Federal supplemental compensa-  
7 tion was payable for any week beginning before April  
8 1, 1983, and

9           (2) who exhausted his rights to such compensation  
10 (by reason of the payment of all the amount in his Fed-  
11 eral supplemental compensation account) before the  
12 first week beginning after March 31, 1983,  
13 such individual's eligibility for additional weeks of compensa-  
14 tion by reason of the amendments made by this part shall not  
15 be limited or terminated by reason of any event, or failure to  
16 meet any requirement of law relating to eligibility for unem-  
17 ployment compensation, occurring after the date of such ex-  
18 haustion of rights and before April 1, 1983 (and the period  
19 after such exhaustion and before April 1, 1983, shall not be  
20 counted for purposes of determining the expiration of the two  
21 years following the end of his benefit year for purposes of  
22 section 602(b) of the Federal Supplemental Compensation  
23 Act of 1982).

24       (c) **MODIFICATION OF AGREEMENTS.**—The Secretary  
25 of Labor shall, at the earliest practicable date after the date  
26 of the enactment of this Act, propose to each State with

1 which he has in effect an agreement under section 602 of the  
 2 Federal Supplemental Compensation Act of 1982 a modifica-  
 3 tion of such agreement designed to provide for the payment  
 4 of Federal supplemental compensation under such Act in ac-  
 5 cordance with the amendments made by this part. Notwith-  
 6 standing any other provision of law, if any State fails or re-  
 7 fuses, within the 3-week period beginning on the date the  
 8 Secretary of Labor proposed such a modification to such  
 9 State, to enter into such a modification of such agreement,  
 10 the Secretary of Labor shall terminate such agreement effec-  
 11 tive with the end of the last week which ends on or before  
 12 such 3-week period.

13 **PART B—MISCELLANEOUS PROVISIONS**

14 **SEC. 511. VOLUNTARY HEALTH INSURANCE PROGRAMS PER-**  
 15 **MITTED.**

16 (a) **AMENDMENT OF INTERNAL REVENUE CODE OF**  
 17 **1954.**—Paragraph (4) of section 3304(a) of the Internal Rev-  
 18 enue Code of 1954 (relating to requirements for approval of  
 19 State unemployment compensation laws) is amended by strik-  
 20 ing out “and” at the end of subparagraph (A), by adding  
 21 “and” at the end of subparagraph (B), and by adding after  
 22 subparagraph (B) the following new subparagraph:

23 “(C) nothing in this paragraph shall be con-  
 24 strued to prohibit deducting an amount from un-  
 25 employment compensation otherwise payable to

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1 an individual and using the amount so deducted to  
2 pay for health insurance if the individual elected  
3 to have such deduction made and such deduction  
4 was made under a program approved by the Sec-  
5 retary of Labor;”.

6 (b) AMENDMENT OF SOCIAL SECURITY ACT.—Para-  
7 graph (5) of section 303(a) of the Social Security Act is  
8 amended by striking out “; and” at the end thereof and in-  
9 serting in lieu thereof “: *Provided further*, That nothing in  
10 this paragraph shall be construed to prohibit deducting an  
11 amount from unemployment compensation otherwise payable  
12 to an individual and using the amount so deducted to pay for  
13 health insurance if the individual elected to have such deduc-  
14 tion made and such deduction was made under a program  
15 approved by the Secretary of Labor; and”.

16 (c) EFFECTIVE DATE.—The amendments made by this  
17 section shall take effect on the date of the enactment of this  
18 Act.

19 **SEC. 512. TREATMENT OF CERTAIN ORGANIZATIONS RETRO-**  
20 **ACTIVELY DETERMINED TO BE DESCRIBED IN**  
21 **SECTION 501(c)(3) OF THE INTERNAL REVENUE**  
22 **CODE OF 1954.**

23 If—

24 (1) an organization did not make an election to  
25 make payments (in lieu of contributions) as provided in

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1 section 3309(a)(2) of the Internal Revenue Code of  
 2 1954 before April 1, 1972, because such organization,  
 3 as of such date, was treated as an organization de-  
 4 scribed in section 501(c)(4) of such Code,

5 (2) the Internal Revenue Service subsequently de-  
 6 termined that such organization was described in sec-  
 7 tion 501(c)(3) of such Code, and

8 (3) such organization made such an election before  
 9 the earlier of—

10 (A) the date 18 months after such election  
 11 was first available to it under the State law, or

12 (B) January 1, 1984,

13 then section 3303(f) of such Code shall be applied with re-  
 14 spect to such organization as if it did not contain the require-  
 15 ment that the election be made before April 1, 1972, and by  
 16 substituting “January 1, 1982” for “January 1, 1969”.

17 **TITLE VI—PROSPECTIVE PAYMENTS FOR**  
 18 **MEDICARE INPATIENT HOSPITAL SERVICES**

19 **MEDICARE PAYMENTS FOR INPATIENT HOSPITAL**  
 20 **SERVICES ON THE BASIS OF PROSPECTIVE RATES**

21 **SEC. 601. (a)(1)** Subsection (a)(1) of section 1886 of the  
 22 Social Security Act is amended by adding at the end the  
 23 following new subparagraph:

24 “(D) Subparagraph (A) shall not apply to cost reporting  
 25 periods beginning on or after October 1, 1985.”.

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1       (2) Subsection (a)(4) of such section is amended by  
2 adding at the end the following new sentence: "Such term  
3 does not include capital-related costs and costs of approved  
4 educational activities, as defined by the Secretary."

5       (b) Subsection (b) of such section is amended—

6           (1) by striking out "Notwithstanding sections  
7 1814(b), but subject to the provisions of sections" in  
8 paragraph (1) and inserting in lieu thereof "Notwith-  
9 standing section 1814(b) but subject to the provisions  
10 of section";

11          (2) by inserting "(other than a subsection (d) hos-  
12 pital, as defined in subsection (d)(1)(B))" in the matter  
13 before subparagraph (A) of paragraph (1) after "of a  
14 hospital";

15          (3) by inserting, in the matter in paragraph (1)  
16 following subparagraph (B), "(other than on the basis  
17 of a DRG prospective payment rate determined under  
18 subsection (d))" after "payable under this title";

19          (4) by striking out paragraph (2);

20          (5) by inserting "and subsection (d) and except as  
21 provided in subsection (e)" in paragraph (3)(B) after  
22 "subparagraph (A)";

23          (6) by inserting "or fiscal year" after "cost re-  
24 porting period" each place it appears in paragraph  
25 (3)(B);

1           (7) by inserting “before the beginning of the  
2           period or year” in paragraph (3)(B) after “estimated by  
3           the Secretary”; and

4           (8) by striking out “exceeds” in paragraph (3)(B)  
5           and inserting in lieu thereof “will exceed”.

6           (c)(1) Subsection (c)(1) of such section is amended—

7           (A) by striking out “and” at the end of subpara-  
8           graph (B),

9           (B) by striking out the period at the end of sub-  
10          paragraph (C) and inserting in lieu thereof “; and”,  
11          and

12          (C) by adding at the end the following:

13          “(D) the Secretary determines that the system  
14          will not preclude an eligible organization (as defined in  
15          section 1876(b)) from negotiating directly with hospi-  
16          tals with respect to the organization’s rate of payment  
17          for inpatient hospital services.

18       The Secretary cannot deny the application of a State under  
19       this subsection on the ground that the State’s hospital reim-  
20       bursement control system is based on a payment methodolo-  
21       gy other than on the basis of a diagnosis-related group or on  
22       the ground that the amount of payments made under this title  
23       under such system must be less than the amount of payments  
24       which would otherwise have been made under this title not  
25       using such system. If the Secretary provides that the assur-

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1 ances described in subparagraph (C) are based on maintaining  
2 payment amounts at no more than a specified percentage in-  
3 crease above the payment amounts in a base period, the  
4 State has the option of applying such test (for inpatient hospi-  
5 tal services under part A) on an aggregate payment basis or  
6 on the basis of the amount of payment per inpatient discharge  
7 or admission. If the Secretary provides that the assurances  
8 described in subparagraph (C) are based on maintaining ag-  
9 gregate payment amounts below a national average percent-  
10 age increase in total payments under part A for inpatient  
11 hospital services, the Secretary cannot deny the application  
12 of a State under this subsection on the ground that the  
13 State's rate of increase in such payments for such services  
14 must be less than such national average rate of increase.”;

15 (2) Subsection (c)(3) of such section is amended—

16 (A) by striking out “requirement of paragraph  
17 (1)(A)” and inserting in lieu thereof “requirements of  
18 subparagraphs (A) and (D) of paragraph (1) and, if ap-  
19 plicable, the requirements of paragraph (5),”, and

20 (B) by inserting “(or, if applicable, in paragraph  
21 (5))” in subparagraph (B) after “paragraph (1)”.

22 (3) Subsection (c) of such section is further amended by  
23 adding at the end the following new paragraphs:

1       “(4) The Secretary shall approve the request of a State  
2 under paragraph (1) with respect to a hospital reimbursement  
3 control system if—

4           “(A) the requirements of subparagraphs (A), (B),  
5 (C), and (D) of paragraph (1) have been met with re-  
6 spect to the system, and

7           “(B) with respect to that system a waiver of cer-  
8 tain requirements of title XVIII of the Social Security  
9 Act has been approved on or before (and which is in  
10 effect as of) the date of the enactment of the Social Se-  
11 curity Act Amendments of 1983, pursuant to section  
12 402(a) of the Social Security Amendments of 1967 or  
13 section 222(a) of the Social Security Amendments of  
14 1972.

15       “(5) The Secretary shall approve the request of a State  
16 under paragraph (1) with respect to a hospital reimbursement  
17 control system if—

18           “(A) the requirements of subparagraphs (A), (B),  
19 (C), and (D) of paragraph (1) have been met with re-  
20 spect to the system;

21           “(B) the Secretary determines that the system—

22               “(i) is operated directly by the State or by an  
23 entity designated pursuant to State law,

24               “(ii) provides for payment of hospitals cov-  
25 ered under the system under a methodology

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1 (which sets forth exceptions and adjustments, as  
2 well as any method for changes in the methodolo-  
3 gy) by which rates or amounts to be paid for hos-  
4 pital services during a specified period are estab-  
5 lished under the system prior to the defined rate  
6 period, and

7 “(iii) hospitals covered under the system will  
8 make such reports (in lieu of cost and other re-  
9 ports, identified by the Secretary, otherwise re-  
10 quired under this title) as the Secretary may re-  
11 quire in order to properly monitor assurances pro-  
12 vided under this subsection;

13 “(C) the State has provided the Secretary with  
14 satisfactory assurances that operation of the system  
15 will not result in any change in hospital admission  
16 practices which result in—

17 “(i) a significant reduction in the proportion  
18 of patients (receiving hospital services covered  
19 under the system) who have no third-party cover-  
20 age and who are unable to pay for hospital serv-  
21 ices,

22 “(ii) a significant reduction in the proportion  
23 of individuals admitted to hospitals for inpatient  
24 hospital services for which payment is (or is likely

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1 to be) less than the anticipated charges for or  
2 costs of such services,

3 “(iii) the refusal to admit patients who would  
4 be expected to require unusually costly or pro-  
5 longed treatment for reasons other than those re-  
6 lated to the appropriateness of the care available  
7 at the hospital, or

8 “(iv) the refusal to provide emergency serv-  
9 ices to any person who is in need of emergency  
10 services if the hospital provides such services;

11 “(D) any change by the State in the system which  
12 has the effect of materially reducing payments to hos-  
13 pitals can only take effect upon 60 days notice to the  
14 Secretary and to the hospitals the payment to which is  
15 likely to be materially affected by the change; and

16 “(E) the State has provided the Secretary with  
17 satisfactory assurances that in the development of the  
18 system the State has consulted with local governmen-  
19 tal officials concerning the impact of the system on  
20 public hospitals.

21 The Secretary shall respond to requests of States under this  
22 paragraph within 60 days of the date the request is submitted  
23 to the Secretary.”.

1 (d) Subsection (d) of such section, as added by section  
2 110 of the Tax Equity and Fiscal Responsibility Act of 1982,  
3 is amended—

4 (1) by striking out “section 1814(b)” in paragraph  
5 (2)(A) and inserting in lieu thereof “subsection (b)”,  
6 and

7 (2) by redesignating the subsection as subsection  
8 (j) and transferring and inserting such subsection at the  
9 end of section 1814 of the Social Security Act under  
10 the following heading:

11 “Elimination of Lesser-of-Cost-or-Charges Provision”.

12 (e) Such section 1886 is further amended by adding at  
13 the end the following new subsections:

14 “(d)(1)(A) Notwithstanding section 1814(b) but subject  
15 to the provisions of section 1813, the amount of the payment  
16 with respect to the operating costs of inpatient hospital serv-  
17 ices (as defined in subsection (a)(4)) of a subsection (d) hospi-  
18 tal (as defined in subparagraph (B)) for inpatient hospital dis-  
19 charges in a cost reporting period or in a fiscal year—

20 “(i) beginning on or after October 1, 1983, and  
21 before October 1, 1986, is equal to the sum of—

22 “(I) the target percentage (as defined in sub-  
23 paragraph (C)) of the lesser of the hospital’s  
24 target amount for the cost reporting period (as de-  
25 fined in subsection (b)(3)(A)), or the limitation es-

1           tablished under subsection (a) (determined without  
2           regard to paragraph (2) thereof) for the period,  
3           and

4           “(II) the DRG percentage (as defined in sub-  
5           paragraph (C)) of the adjusted DRG prospective  
6           payment rate determined under paragraph (2) or  
7           (3) for such discharges; or

8           “(ii) beginning on or after October 1, 1986, is  
9           equal to the adjusted DRG prospective payment rate  
10          determined under paragraph (3) for such discharges.

11          “(B) As used in this section, the term ‘subsection (d)  
12          hospital’ means a hospital located in one of the fifty States or  
13          the District of Columbia other than—

14               “(i) a psychiatric hospital (as defined in section  
15               1861(f)),

16               “(ii) a rehabilitation hospital (as defined by the  
17               Secretary),

18               “(iii) a hospital whose inpatients are predominant-  
19               ly individuals under 18 years of age, or

20               “(iv) a hospital which has an average inpatient  
21               length of stay (as determined by the Secretary) of  
22               greater than 25 days;

23          and, upon request of a hospital and in accordance with regu-  
24          lations of the Secretary, does not include a psychiatric or

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1 rehabilitation unit of the hospital which is a distinct part of  
2 the hospital (as defined by the Secretary).

3 “(C) For purposes of this subsection, for cost reporting  
4 periods beginning, or discharges occurring—

5 “(i) on or after October 1, 1983, and before Octo-  
6 ber 1, 1984, the ‘target percentage’ is 75 percent and  
7 the ‘DRG percentage’ is 25 percent;

8 “(ii) on or after October 1, 1984, and before Oc-  
9 tober 1, 1985, the ‘target percentage’ is 50 percent  
10 and the ‘DRG percentage’ is 50 percent; and

11 “(iii) on or after October 1, 1985, and before Oc-  
12 tober 1, 1986, the ‘target percentage’ is 25 percent  
13 and the ‘DRG percentage’ is 75 percent.

14 “(2) The Secretary shall determine an adjusted DRG  
15 prospective payment rate, for each inpatient hospital dis-  
16 charge in fiscal year 1984 involving inpatient hospital serv-  
17 ices of a subsection (d) hospital (located in an urban or rural  
18 area within a census division) for which payment may be  
19 made under part A of this title, as follows:

20 “(A) DETERMINING ALLOWABLE INDIVIDUAL  
21 HOSPITAL COSTS FOR BASE PERIOD.—The Secretary  
22 shall determine the allowable operating costs of inpa-  
23 tient hospital services for the hospital for the most  
24 recent cost reporting period for which data are availa-  
25 ble.

1           “(B) UPDATING FOR FISCAL YEAR 1984.—The  
2       Secretary shall update each amount determined under  
3       subparagraph (A) for fiscal year 1984 by—

4           “(i) updating for fiscal year 1983 by the esti-  
5       mated average rate of change of hospital costs in-  
6       dustry-wide between the cost reporting period  
7       used under such subparagraph and fiscal year  
8       1983, and

9           “(ii) projecting for fiscal year 1984 by the  
10      applicable percentage increase (as defined in sub-  
11      section (b)(3)(B)) for fiscal year 1984.

12          “(C) STANDARDIZING AMOUNTS.—The Secretary  
13      shall standardize the amount updated under subpara-  
14      graph (B) for each hospital by—

15          “(i) excluding an estimate of indirect medical  
16      education costs,

17          “(ii) adjusting for variations among hospitals  
18      by area in the average hospital wage level, and

19          “(iii) adjusting for variations in case mix  
20      among hospitals.

21          “(D) COMPUTING URBAN AND RURAL AVERAGES  
22      IN EACH CENSUS DIVISION.—The Secretary shall  
23      compute an average of the standardized amounts deter-  
24      mined under subparagraph (C) for each census divi-  
25      sion—

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1           “(i) for all subsection (d) hospitals located in  
2           an urban area in that division, and

3           “(ii) for all subsection (d) hospitals located in  
4           a rural area in that division.

5       For purposes of this subsection, the term ‘census divi-  
6       sion’ means one of the nine divisions, comprising the  
7       fifty States and the District of Columbia, established by  
8       the Bureau of the Census for statistical and reporting  
9       purposes; the term ‘urban area’ means an area within  
10      a Standard Metropolitan Statistical Area (as defined by  
11      the Office of Management and Budget) or within such  
12      similar area as the Secretary has recognized under  
13      subsection (a) by regulation in effect as of January 1,  
14      1983; and the term ‘rural area’ means any area outside  
15      such an area or similar area.

16           “(E) REDUCING FOR VALUE OF OUTLIER PAY-  
17      MENTS.—The Secretary shall reduce each of the aver-  
18      age standardized amounts determined under subpara-  
19      graph (D) by a proportion equal to the proportion (esti-  
20      mated by the Secretary) of the amount of payments  
21      under this subsection based on DRG prospective pay-  
22      ment rates which are additional payments described in  
23      paragraph (5)(A) (relating to outlier payments).

24           “(F) MAINTAINING BUDGET NEUTRALITY.—The  
25      Secretary shall adjust each of such average standard-

1        ized amounts as may be required under subsection  
2        (e)(1)(B) for that fiscal year.

3            “(G) COMPUTING DRG-SPECIFIC RATES FOR  
4        URBAN AND RURAL HOSPITALS IN EACH CENSUS DI-  
5        VISION.—For each discharge classified within a diag-  
6        nosis-related group, the Secretary shall establish a  
7        DRG prospective payment rate which is equal—

8            “(i) for hospitals located in an urban area in  
9        a census division, to the product of—

10            “(I) the average standardized amount  
11            (computed under subparagraph (D), reduced  
12            under subparagraph (E), and adjusted under  
13            subparagraph (F)) for hospitals located in an  
14            urban area in that division, and

15            “(II) the weighting factor (determined  
16            under paragraph (4)(B)) for that diagnosis-re-  
17            lated group; and

18            “(ii) for hospitals located in a rural area in a  
19        census division, to the product of—

20            “(I) the average standardized amount  
21            (computed under subparagraph (D), reduced  
22            under subparagraph (E), and adjusted under  
23            subparagraph (F)) for hospitals located in a  
24            rural area in that division, and

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1                   “(II) the weighting factor (determined  
2                   under paragraph (4)(B)) for that diagnosis-re-  
3                   lated group.

4                   “(H) ADJUSTING FOR DIFFERENT AREA WAGE  
5                   LEVELS.—The Secretary shall adjust the proportion  
6                   (as estimated by the Secretary from time to time) of  
7                   hospitals’ costs which are attributable to wages and  
8                   wage-related costs, of the DRG prospective payment  
9                   rates computed under subparagraph (G) for area differ-  
10                  ences in hospital wage levels by a factor (established  
11                  by the Secretary) reflecting the relative hospital wage  
12                  level in the geographic area of the hospital compared  
13                  to the national average hospital wage level.

14                  “(3) The Secretary shall determine an adjusted DRG  
15                  prospective payment rate, for each inpatient hospital dis-  
16                  charge in a fiscal year after fiscal year 1984 involving inpa-  
17                  tient hospital services of a subsection (d) hospital for which  
18                  payment may be made under part A of this title, as follows:

19                  “(A) UPDATING PREVIOUS STANDARDIZED  
20                  AMOUNTS.—The Secretary shall compute an average  
21                  standardized amount—

22                         “(i) for fiscal years 1985, 1986, and 1987,  
23                         for hospitals located in a urban area within each  
24                         census division and for hospitals located in a rural  
25                         area within each census division, and

1                   “(ii) for subsequent fiscal years, for hospitals  
2                   located in an urban area and for hospitals located  
3                   in a rural area,  
4                   equal to the respective average standardized amount  
5                   (or, for fiscal year 1988, the weighted average of the  
6                   respective average standardized amounts) computed for  
7                   the previous fiscal year under paragraph (2)(D) or  
8                   under this subparagraph, increased by the applicable  
9                   percentage increase under subsection (b)(3)(B) for that  
10                  particular fiscal year.

11               “(B) REDUCING FOR VALUE OF OUTLIER PAY-  
12               MENTS.—The Secretary shall reduce each of the aver-  
13               age standardized amounts determined under subpara-  
14               graph (A) by a proportion equal to the proportion (esti-  
15               mated by the Secretary) of the amount of payments  
16               under this subsection based on DRG prospective pay-  
17               ment amounts which are additional payments described  
18               in paragraph (5)(A) (relating to outlier payments).

19               “(C) MAINTAINING BUDGET NEUTRALITY.—The  
20               Secretary shall adjust each of such average standard-  
21               ized amounts as may be required under subsection  
22               (e)(1)(B) for that fiscal year.

23               “(D) COMPUTING DRG-SPECIFIC RATES FOR  
24               URBAN AND RURAL HOSPITALS.—For each discharge  
25               classified within a diagnosis-related group, the Secre-

1        tary shall establish a DRG prospective payment rate  
2        for the fiscal year which is equal—

3                “(i) for hospitals located in an urban area  
4                (and, if applicable, in a census division), to the  
5                product of—

6                “(I) the average standardized amount  
7                (computed under subparagraph (A), reduced  
8                under subparagraph (B), and adjusted under  
9                subparagraph (C)) for the fiscal year for hos-  
10               pits located in an urban area (and, if appli-  
11               cable, in that division), and

12               “(II) the weighting factor (determined  
13               under paragraph (4)(B)) for that diagnosis-re-  
14               lated group; and

15               “(ii) for hospitals located in a rural area  
16               (and, if applicable, in a census division), to the  
17               product of—

18               “(I) the average standardized amount  
19               (computed under subparagraph (A), reduced  
20               under subparagraph (B), and adjusted under  
21               subparagraph (C)) for the fiscal year for hos-  
22               pits located in a rural area (and, if applica-  
23               ble, in that division), and

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1                   “(II) the weighting factor (determined  
2                   under paragraph (4)(B)) for that diagnosis-re-  
3                   lated group.

4                   “(E) ADJUSTING FOR DIFFERENT AREA WAGE  
5                   LEVELS.—The Secretary shall adjust the proportion,  
6                   (as estimated by the Secretary from time to time) of  
7                   hospitals’ costs which are attributable to wages and  
8                   wage-related costs, of the DRG prospective payment  
9                   rates computed under subparagraph (D) for area differ-  
10                  ences in hospital wage levels by a factor (established  
11                  by the Secretary) reflecting the relative hospital wage  
12                  level in the geographic area of the hospital compared  
13                  to the national average hospital wage level.

14                  “(4)(A) The Secretary shall establish (and may from  
15                  time to time make changes in) a classification of inpatient  
16                  hospital discharges by diagnosis-related groups and a meth-  
17                  odology for classifying specific hospital discharges within  
18                  these groups.

19                  “(B) For each such diagnosis-related group the Secre-  
20                  tary shall assign (and may from time to time recompute) an  
21                  appropriate weighting factor which reflects the relative hos-  
22                  pital resources used with respect to discharges classified  
23                  within that group compared to discharges classified within  
24                  other groups.

1       “(5)(A)(i) The Secretary shall provide for an additional  
2     payment amount (as determined by the Secretary) for a sub-  
3     section (d) hospital for any discharge in a diagnosis-related  
4     group the length of stay of which exceeds by 30 or more days  
5     the mean length of stay of discharges within that group.

6       “(ii) The Secretary shall provide for an additional pay-  
7     ment amount (as determined by the Secretary) for a subsec-  
8     tion (d) hospital for any discharge in a diagnosis-related  
9     group—

10       “(I) the length of stay of which exceeds by a  
11     period (which may vary by diagnosis-related group) of  
12     less than 30 days the mean length of stay for dis-  
13     charges within that group or

14       “(II) which reflects extraordinarily or unusually  
15     expensive costs relative to discharges classified within  
16     that group,

17     so that the total of the additional payments made under this  
18     subparagraph for discharges in a fiscal year is not less than 4  
19     percent of the total payments made based on DRG prospec-  
20     tive payment rates for discharges in that year.

21       “(B) The Secretary shall provide for an additional pay-  
22     ment amount for subsection (d) hospitals with indirect costs of  
23     medical education, in an amount computed in the same  
24     manner as the adjustment for such costs under regulations (in  
25     effect as of January 1, 1983) under subsection (a)(2), except

1 that in the computation under this subparagraph the Secre-  
2 tary shall use an educational adjustment factor equal to twice  
3 the factor provided under such regulations.

4 “(C)(i) The Secretary shall provide for such exceptions  
5 and adjustments to the payment amounts established under  
6 this subsection as the Secretary deems appropriate to take  
7 into account the special needs of public or other hospitals that  
8 serve a significantly disproportionate number of patients who  
9 have low income or are entitled to benefits under part A of  
10 this title.

11 “(ii) The Secretary may provide (on a general, class, or  
12 individual basis) for exceptions and adjustments to the pay-  
13 ment amounts established under this subsection to take into  
14 account the special needs of sole community hospitals. For  
15 purposes of this section the term ‘sole community hospital’  
16 means a hospital that, by reason of factors such as isolated  
17 location or absence of other hospitals (as determined by the  
18 Secretary), is the sole source of inpatient hospital services  
19 reasonably available to individuals in a geographical area  
20 who are entitled to benefits under part A.

21 “(iii) The Secretary shall provide by regulation for such  
22 other exceptions and adjustments to such payment amounts  
23 as the Secretary deems appropriate (including exceptions and  
24 adjustments that may be appropriate with respect to public

1 and teaching hospitals and with respect to hospitals involved  
2 extensively in treatment for and research on cancer).

3 “(iv) The Secretary may provide for such adjustments to  
4 the payment amounts as the Secretary deems appropriate to  
5 take into account the unique circumstances of hospitals locat-  
6 ed in Alaska and Hawaii.

7 “(D)(i) The Secretary shall estimate for each fiscal year  
8 the amount of reimbursement made for services described in  
9 section 1862(a)(14) with respect to which payment was made  
10 under part B in the base reporting periods referred to in para-  
11 graph (2)(A) and with respect to which payment is no longer  
12 being made in the fiscal year.

13 “(ii) The Secretary shall provide for an additional pay-  
14 ment for subsection (d) hospitals in each fiscal year so as  
15 appropriately to reflect the net amount described in clause (i)  
16 for that fiscal year.

17 “(E) This paragraph shall apply only to subsection (d)  
18 hospitals that receive payments in amounts computed under  
19 this subsection.

20 “(6) The Secretary shall provide for publication in the  
21 Federal Register, on or before the September 1 before each  
22 fiscal year (beginning with fiscal year 1984), of a description  
23 of the methodology and data used in computing the adjusted  
24 DRG prospective payment rates under this subsection, in-  
25 cluding any adjustments required under subsection (e)(1)(B).

1       “(7) There shall be no administrative or judicial review  
2 under section 1878 or otherwise of—

3               “(A) the determination of the requirement, or the  
4 proportional amount, of any adjustment effected pursu-  
5 ant to subsection (e)(1), and

6               “(B) the establishment of diagnosis-related groups,  
7 of the methodology for the classification of discharges  
8 within such groups, and of the appropriate weighting  
9 factors thereof under paragraph (4).

10       “(e)(1)(A) For cost reporting periods of hospitals begin-  
11 ning in fiscal year 1984 or fiscal year 1985, the Secretary  
12 shall provide for such proportional adjustment in the applica-  
13 ble percentage increase (otherwise applicable to the periods  
14 under subsection (b)(3)(B)) as may be necessary to assure  
15 that—

16               “(i) the aggregate payment amounts otherwise  
17 provided under subsection (d)(1)(A)(i)(I) for that fiscal  
18 year for operating costs of inpatient hospital services of  
19 hospitals,  
20 are not greater or less than—

21               “(ii) the target percentage (as defined in subsec-  
22 tion (d)(1)(C)) of the payment amounts which would  
23 have been payable for such services for those same  
24 hospitals for that fiscal year under this section under

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1 the law as in effect before the date of the enactment of  
2 the Social Security Act Amendments of 1983;  
3 except that the adjustment made under this subparagraph  
4 shall apply only to subsection (d) hospitals and shall not apply  
5 for purposes of making computations under subsection  
6 (d)(2)(B)(ii) or subsection (d)(3)(A).

7 “(B) For discharges occurring in fiscal year 1984 or  
8 fiscal year 1985, the Secretary shall provide under subsec-  
9 tions (d)(2)(F) and (d)(3)(C) for such equal proportional adjust-  
10 ment in each of the average standardized amounts otherwise  
11 computed for that fiscal year as may be necessary to assure  
12 that—

13 “(i) the aggregate payment amounts otherwise  
14 provided under subsection (d)(1)(A)(i)(II) for that fiscal  
15 year for operating costs of inpatient hospital services of  
16 hospitals,  
17 are not greater or less than—

18 “(ii) the DRG percentage (as defined in subsection  
19 (d)(1)(C)) of the payment amounts which would have  
20 been payable for such services for those same hospitals  
21 for that fiscal year under this section under the law as  
22 in effect before the date of the enactment of the Social  
23 Security Act Amendments of 1983.

24 “(2) The Secretary shall provide for appointment of a  
25 panel of independent experts (hereinafter in this subsection

1 referred to as the 'panel') to review the applicable percentage  
2 increase factor described in subsection (b)(3)(B) and make  
3 recommendations to the Secretary on the appropriate per-  
4 centage increase which should be effected for hospital inpa-  
5 tient discharges under subsections (b) and (d) for fiscal years  
6 beginning with fiscal year 1986. In making its recommenda-  
7 tions, the panel shall take into account changes in the hospi-  
8 tal market-basket described in subsection (b)(3)(B), hospital  
9 productivity, technological and scientific advances, the qual-  
10 ity of health care provided in hospitals, and long-term cost-  
11 effectiveness in the provision of inpatient hospital services.

12       “(3) The panel, not later than the May 1 before the  
13 beginning of each fiscal year (beginning with fiscal year  
14 1986), shall report its recommendations to the Secretary on  
15 an appropriate increase factor which should be used (instead  
16 of the applicable percentage increase described in subsection  
17 (b)(3)(B)) for inpatient hospital services for discharges in that  
18 fiscal year.

19       “(4) Taking into consideration the recommendations of  
20 the panel, the Secretary shall determine for each fiscal year  
21 (beginning with fiscal year 1986) the percentage increase  
22 which will apply for purposes of this section as the applicable  
23 percentage increase (otherwise described in subsection  
24 (b)(3)(B)) for discharges in that fiscal year.

1       “(5) The Secretary shall cause to have published in the  
2 Federal Register, not later than—

3               “(A) the June 1 before each fiscal year (beginning  
4 with fiscal year 1986), the Secretary’s proposed deter-  
5 mination under paragraph (4) for that fiscal year, and

6               “(B) the September 1 before such fiscal year, the  
7 Secretary’s final determination under such paragraph  
8 for that year.

9 The Secretary shall include in the publication referred to in  
10 subparagraph (A) for a fiscal year the report of the panel’s  
11 recommendations submitted under paragraph (3) for that  
12 fiscal year.

13       “(6) The Secretary shall maintain, for a period ending  
14 not earlier than September 30, 1988, a system for the report-  
15 ing of costs of hospitals receiving payments computed under  
16 subsection (d).

17       “(f)(1) The Secretary shall establish a system for moni-  
18 toring admissions and discharges of hospitals receiving pay-  
19 ment in amounts determined under subsection (b) or subsec-  
20 tion (d) of this section. Such system shall use fiscal interme-  
21 diaries, utilization and quality control peer review organiza-  
22 tions with contracts under part B of title XI, and others to  
23 review hospital admission and discharge practices and the  
24 quality of inpatient hospital services provided for which pay-  
25 ment may be made under part A of this title.

1       “(2) If the Secretary determines that a hospital, in order  
2 to circumvent the payment method established under subsec-  
3 tion (b) or (d) of this section, has taken an action that results  
4 in the admission of individuals entitled to benefits under part  
5 A unnecessarily, unnecessary multiple admissions of the same  
6 such individuals, or other inappropriate medical or other  
7 practices with respect to such individuals, the Secretary  
8 may—

9           “(A) deny payment (in whole or in part) under  
10 part A with respect to inpatient hospital services pro-  
11 vided with respect to such an unnecessary admission  
12 (or subsequent admission of the same individual), or

13           “(B) require the hospital to take other corrective  
14 action necessary to prevent or correct the inappropriate  
15 practice.

16       “(3) The provisions of paragraphs (2), (3), and (4) of  
17 section 1862(d) shall apply to determinations under para-  
18 graph (2) of this subsection in the same manner as they apply  
19 to determinations made under section 1862(d)(1).

20       “(g)(1) No payment may be made under this title for  
21 capital-related costs of capital expenditures (as defined in sec-  
22 tion 1122(g)) for inpatient hospital services in a State, which  
23 expenditures occurred after the end of the three-year period  
24 beginning on the date of the enactment of this subsection,  
25 unless the State has an agreement with the Secretary under

1 section 1122(b) and, under the agreement, the State has rec-  
2 ommended approval of the capital expenditures.

3       “(2) The Secretary shall provide that the amount which  
4 is allowable, with respect to costs of inpatient hospital serv-  
5 ices for which payment may be made under this title, for a  
6 return on equity capital for subsection (d) hospitals (as de-  
7 fined in subsection (d)(1)(B)) shall, for cost reporting periods  
8 beginning on or after October 1, 1983, and before October 1,  
9 1986, be equal to the target percentage (as defined in subsec-  
10 tion (d)(1)(C)) of the amounts otherwise allowable under regu-  
11 lations in effect on March 1, 1983. For cost reporting periods  
12 beginning on or after October 1, 1986, the Secretary shall  
13 not provide for any such return on equity capital for such  
14 hospitals.”.

15                               CONFORMING AMENDMENTS

16       SEC. 602. (a) Section 1153(b)(2) of the Social Security  
17 Act is amended by adding at the end the following new sub-  
18 paragraph:

19       “(C) The twelve-month period referred to in subpara-  
20 graph (A) shall be deemed to begin not later than October  
21 1983.”.

22       (b) Sections 1814(g) and 1835(e) of the Social Security  
23 Act are each amended by inserting “(or would be if section  
24 1886 did not apply)” after “section 1861(v)(1)(D)”.

1 (c) Section 1814(h)(2) of such Act is amended by strik-  
2 ing out “the reasonable costs for such services” and inserting  
3 in lieu thereof “the amount that would be payable for such  
4 services under subsection (b) and section 1886”.

5 (d)(1) The matter in section 1861(v)(1)(G)(i) of such Act  
6 following subclause (III) is amended by striking out “on the  
7 basis of the reasonable cost of” and inserting in lieu thereof  
8 “the amount otherwise payable under part A with respect  
9 to”.

10 (2) Section 1861(v)(2)(A) of such Act is amended by  
11 striking out “an amount equal to the reasonable cost of” and  
12 inserting in lieu thereof “the amount that would be taken into  
13 account with respect to”.

14 (3) Section 1861(v)(2)(B) of such Act is amended by  
15 striking out “the equivalent of the reasonable cost of”.

16 (4) Section 1861(v)(3) of such Act is amended by strik-  
17 ing out “the reasonable cost of such bed and board furnished  
18 in semi-private accommodations (determined pursuant to  
19 paragraph (1))” and inserting in lieu thereof “the amount  
20 otherwise payable under this title for such bed and board fur-  
21 nished in semi-private accommodations”.

22 (e) Section 1862(a) of such Act is amended—

23 (1) by striking out “or” at the end of paragraph

24 (12),

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1           (2) by striking out the period at the end of para-  
2           graph (13) and inserting in lieu thereof “; or”, and

3           (3) by adding at the end the following new para-  
4           graph:

5           “(14) which are other than physicians’ services  
6           and which are furnished to an individual who is an in-  
7           patient of a hospital by an entity other than the hospi-  
8           tal, unless the services are furnished under arrange-  
9           ments (as defined in section 1861(w)(1)) with the entity  
10          made by the hospital.”.

11          (f)(1) Section 1866(a)(1) of such Act is amended—

12           (A) by striking out “and” at the end of subpara-  
13          graph (D),

14           (B) by striking out the period at the end of sub-  
15          paragraph (E), and

16           (C) by adding at the end the following new sub-  
17          paragraphs:

18           “(F) in the case of hospitals which provide inpa-  
19          tient hospital services for which payment may be made  
20          under subsection (c) or (d) of section 1886, to maintain  
21          an agreement with a utilization and quality control  
22          peer review organization (which has a contract with  
23          the Secretary under part B of title XI) under which  
24          the organization will perform functions under that part  
25          with respect to the review of admissions, discharges,

1 and quality of care respecting inpatient hospital serv-  
2 ices for which payment may be made under part A of  
3 this title,

4 “(G) in the case of hospitals which provide inpa-  
5 tient hospital services for which payment may be made  
6 under subsection (b) or (d) of section 1886, not to  
7 charge any individual or any other person for inpatient  
8 hospital services for which such individual would be  
9 entitled to have payment made under part A but for a  
10 denial or reduction of payments under section 1886(f),  
11 and

12 “(H) in the case of hospitals which provide inpa-  
13 tient hospital services for which payment may be made  
14 under section 1886(d), to have all items and services  
15 (other than physicians’ services) (i) that are furnished  
16 to an individual who is an inpatient of the hospital, and  
17 (ii) for which the individual is entitled to have payment  
18 made under this title, furnished by the hospital or oth-  
19 erwise under arrangements (as defined in section  
20 1861(v)(1)) made by the hospital.”.

21 (2) The matter in section 1866(a)(2)(B)(ii) of such Act  
22 preceding subclause (I) is amended by inserting “and except  
23 with respect to inpatient hospital costs with respect to which  
24 amounts are payable under section 1886(d)” after “(except  
25 with respect to emergency services”.

1 (g) Section 1876(g) of such Act is amended by adding at  
2 the end the following:

3 “(4) A risk-sharing contract under this subsection may,  
4 at the option of an eligible organization, provide that the Sec-  
5 retary—

6 “(A) will reimburse hospitals either for the rea-  
7 sonable cost (as determined under section 1861(v)) or  
8 for payment amounts determined in accordance with  
9 section 1886, as applicable, of inpatient hospital serv-  
10 ices furnished to individuals enrolled with such organi-  
11 zation pursuant to subsection (d), and

12 “(B) will deduct the amount of such reimburse-  
13 ment for payment which would otherwise be made to  
14 such organization.”.

15 (h)(1) Section 1878(a) of such Act is amended—

16 (A) by inserting “and (except as provided in sub-  
17 section (g)(2)) any hospital which receives payments in  
18 amounts computed under section 1886(d) and which  
19 has submitted such reports within such time as the  
20 Secretary may require in order to make payment under  
21 such section may obtain a hearing with respect to such  
22 payment by the Board” after “subsection (h)” in the  
23 matter before paragraph (1),

24 (B) by inserting “(i)” after “(A)” in paragraph  
25 (1)(A),

1 (C) by inserting "or" at the end of paragraph  
2 (1)(A) and by adding after such paragraph the follow-  
3 ing new clause:

4 "(ii) is dissatisfied with a final determination  
5 of the Secretary as to the amount of the payment  
6 under section 1886(d)," and

7 (D) by striking out "(1)(A)" in paragraph (3) and  
8 inserting in lieu thereof "(1)(A)(i), or with respect to  
9 appeals under paragraph (1)(A)(ii), 180 days after  
10 notice of the Secretary's final determination,".

11 (2) Section 1878(g) of such Act is amended by inserting  
12 "(1)" after "(g)" and by adding at the end the following new  
13 paragraph:

14 "(2) The determinations and other decisions described in  
15 section 1886(d)(7) shall not be reviewed by the Board or by  
16 any court pursuant to an action brought under subsection (f)  
17 or otherwise."

18 (3) The third sentence of section 1878(h) of such Act is  
19 amended striking out "cost reimbursement" and inserting in  
20 lieu thereof "payment of providers of services".

21 (i) The first sentence of section 1881(b)(2)(A) of such  
22 Act is amended by inserting "or section 1886 (if applicable)"  
23 after "section 1861(v)".

1 (j) Section 1887(a)(1)(B) of such Act is amended by in-  
2 serting "or on the bases described in section 1886" after "on  
3 a reasonable cost basis".

4 REPORTS, EXPERIMENTS AND DEMONSTRATION PROJECTS,  
5 AND INTENT OF CONGRESS RESPECTING TREATMENT  
6 OF NEW CAPITAL EXPENDITURES

7 SEC. 603. (a)(1) The Secretary of Health and Human  
8 Services (hereinafter in this title referred to as the "Secre-  
9 tary") shall study and report to the Congress at the end of  
10 1983 on—

11 (A) the method by which capital-related costs as-  
12 sociated with inpatient hospital services can be includ-  
13 ed within the prospective payment amounts computed  
14 under section 1886(d) of the Social Security Act,

15 (B) payment with respect to a return on equity  
16 capital for hospitals receiving payments under such  
17 section, and

18 (C) the impact on skilled nursing facilities of hos-  
19 pital prospective payment systems, and recommenda-  
20 tions concerning payment of skilled nursing facilities.

21 (2)(A) The Secretary shall study and report annually to  
22 the Congress at the end of each year (beginning with 1984  
23 and ending with 1987) on the actual impact, of the payment  
24 methodology under section 1886(d) of the Social Security Act  
25 during the previous year, on individual hospitals, classes of

1 hospitals, beneficiaries, and other payors for inpatient hospi-  
2 tal services, and, in particular, on the impact of computing  
3 averages by census division, rather than on a national aver-  
4 age basis. Each such report shall include such recommenda-  
5 tions for such changes in legislation as the Secretary deems  
6 appropriate. The Comptroller General shall review and com-  
7 ment on the adequacy of each of the reports with respect to  
8 their analysis of the impact of the payment methodology  
9 under section 1886(d) of the Social Security Act.

10 (B) During fiscal year 1984, the Secretary shall begin  
11 the collection of data necessary to compute the amount of  
12 physician charges attributable, by diagnosis-related groups,  
13 to physicians' services furnished to inpatients of hospitals  
14 whose discharges are classified within those groups. The Sec-  
15 retary shall include, in annual report to Congress under sub-  
16 paragraph (A) for 1984, recommendations on the advisability  
17 and feasibility of providing for determining the amount of the  
18 payments for physicians' services furnished to hospital inpa-  
19 tients based on the DRG classification of the discharges of  
20 those inpatients.

21 (C) In the annual report to Congress under subpara-  
22 graph (A) for 1985, the Secretary shall include the results of  
23 studies on—

24 (i) the feasibility and impact of eliminating or  
25 phasing out separate urban and rural DRG prospective

1        payment rates under paragraph (3) of section 1886(d)  
2        of the Social Security Act;

3            (ii) whether and the method under which hospi-  
4        tals, not paid based on amounts determined under such  
5        section, can be paid for inpatient hospital services on a  
6        prospective basis as under such section;

7            (iii) the appropriateness of the factors used under  
8        paragraph (5)(A) of such section to compensate hospi-  
9        tals for the additional expenses of outlier cases;

10          (iv) the feasibility and desirability of applying the  
11        payment methodology under such section to payment  
12        by all payors for inpatient hospital services; and

13          (v) the impact of such section on hospital admis-  
14        sions and the feasibility of making a change in the  
15        DRG prospective payment rates or requiring preadmis-  
16        sion certification in order to minimize the incentive to  
17        increase admissions.

18        (D) In the annual report to Congress under subpara-  
19        graph (A) for 1986, the Secretary shall include the results of  
20        a study examining the overall impact of State systems of hos-  
21        pital payment (either approved under section 1886(c) of the  
22        Social Security Act or under a waiver approved under sec-  
23        tion 402(a) of the Social Security Amendments of 1967 or  
24        section 222(a) of the Social Security Amendments of 1972),  
25        particularly assessing such systems' impact not only on the

1 medicare program but also on the medicaid program, on pay-  
2 ments and premiums under private health insurance plans,  
3 and on tax expenditures.

4 (b)(1) Except as provided in paragraph (2), the amend-  
5 ments made by this title shall not affect the authority of the  
6 Secretary to develop, carry out, or continue experiments and  
7 demonstration projects.

8 (2) The Secretary shall provide that, upon the request of  
9 a State which has a demonstration project, for payment of  
10 hospitals under title XVIII of the Social Security Act ap-  
11 proved under section 402(a) of the Social Security Amend-  
12 ments of 1967 or section 222(a) of the Social Security  
13 Amendments of 1972, which (A) is in effect as of March 1,  
14 1983, and (B) was entered into after August 1982, the terms  
15 of the demonstration agreement shall be modified so that the  
16 demonstration project is not required to maintain the rate of  
17 increase in medicare hospital costs in that State below the  
18 national rate of increase in medicare hospital costs.

19 (c) It is the intent of Congress that, in implementing a  
20 system for including capital-related costs under a prospec-  
21 tively determined payment rate for inpatient hospital serv-  
22 ices, costs related to capital projects initiated on or after  
23 March 1, 1983, may be distinguished and treated differently  
24 from costs of projects initiated before such date.

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## 1 EFFECTIVE DATES

2 SEC. 604. (a)(1) Except as provided in paragraph (2),  
3 the amendments made by this title apply to items and serv-  
4 ices furnished by or under arrangements with a hospital be-  
5 ginning with its first cost reporting period that begins on or  
6 after October 1, 1983. A change in a hospital's cost reporting  
7 period that has been made after November 1982 shall be  
8 recognized for purposes of this section only if the Secretary  
9 finds good cause for that change.

10 (2)(A) Section 1866(a)(1)(F) of the Social Security Act  
11 (as added by section 602(f)(1)(C) of this title) takes effect on  
12 October 1, 1984, and section 1862(a)(14) (as added by sec-  
13 tion 602(e)(3) of this title) and sections 1886(a)(1) (G) and (H)  
14 of such Act (as added by section 602(f)(1)(C) of this title) take  
15 effect on October 1, 1983.

16 (B) The Secretary may provide that, during the period  
17 ending October 1, 1986, the provisions of sections  
18 1862(a)(14) and 1866(a)(1)(H) of the Social Security Act  
19 shall not apply to services furnished in hospitals that can  
20 demonstrate that their billing practice prior to October 1,  
21 1982, was to bill for such services independent of the hospital  
22 payment.

23 (b) The Secretary shall make an appropriate reduction  
24 in the payment amount under section 1886(d) of the Social  
25 Security Act (as amended by this title) for any discharge, if

1 the admission has occurred before a hospital's first cost re-  
2 porting period that begins after September 1983, to take into  
3 account amounts payable under title XVIII of that Act (as in  
4 effect before the date of the enactment of this Act) for items  
5 and services furnished before that period.

6 (c)(1) The Secretary shall cause to be published in the  
7 Federal Register a notice of the interim final DRG prospec-  
8 tive payment rates established under subsection (d) of section  
9 1886 of the Social Security Act (as amended by this title) no  
10 later than September 1, 1983, and allow for a period of  
11 public comment thereon. The DRG prospective payment  
12 rates shall become effective on October 1, 1983, without the  
13 necessity for consideration of comments received, but the  
14 Secretary shall, by notice published in the Federal Register,  
15 affirm or modify the amounts by December 31, 1983, after  
16 considering those comments.

17 (2) A modification under paragraph (1) that reduces a  
18 DRG prospective payment rate shall apply only to discharges  
19 occurring after 30 days after the date the notice of the modi-  
20 fication is published in the Federal Register.

21 (3) Rules to implement subsection (d) of section 1886 of  
22 the Social Security Act (as so amended) shall, and excep-  
23 tions, adjustments, or additional payment amounts under  
24 paragraph (5) of such subsection may, be established in ac-  
25 cordance with the procedure described in this subsection.

